




The image shows two overlapping forms from the PRI LEA (Local Engagement Assessment) toolkit. The top form is LEA 02, titled 'Local Engagement Assessment', and the bottom form is LEA 03, titled 'Local Engagement Assessment - Detailed'. Both forms are designed to help investors assess and improve their local engagement practices. LEA 02 includes sections for 'Type of engagement' (Individual/Internal staff, Collaborative, Service provider) and 'Reason for interaction'. LEA 03 provides a more detailed breakdown of these categories, including 'Individual/Internal staff engagements', 'Collaborative engagements', and 'Service provider engagements', each with specific criteria and checkboxes for assessment.

RI TRANSPARENCY REPORT

2014/15

Local Government Superannuation Scheme



About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2014-15 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
🔍	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	✓	Public							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Public							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Public							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Public	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Public	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Public							✓
OA 19	Internal and external review and assurance of responses	✓	Public							✓

Indirect – Manager Selection, Appointment and Monitoring				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SAM 01	Description of RI considerations	✓	Public	✓					✓	
SAM 02	Role of investment consultants	✓	Public				✓			
SAM 03	RI factors in selection, appointment and monitoring across asset classes	✓	Public							✓
SAM 04	Breakdown of passive, active quant and active fundamental	✓	Public							✓
SAM 05	ESG incorporation strategies	✓	Public	✓	✓					
SAM 06	Selection processes (listed assets)	✓	Public	✓					✓	
SAM 07	Appointment considerations (listed assets)	✓	Public				✓			
SAM 08	Monitoring processes (listed assets)	✓	Public	✓						
SAM 09	Percentage of (proxy) votes cast	⚡	n/a		✓					
SAM 10	Selection processes (non-listed assets)	✓	Public	✓					✓	
SAM 11	Appointment considerations (non-listed assets)	✓	Public				✓			
SAM 12	Monitoring processes (non-listed assets)	✓	Public	✓					✓	
SAM 13	Description of RI considerations in 'other' asset classes	✓	Public	✓					✓	
SAM 14	Percentage of externally managed assets managed by PRI signatories	✓	Public	✓					✓	
SAM 15	Examples of ESG issues in selection, appointment and monitoring processes	✓	Public		✓					
SAM 16	Disclosure of RI considerations	✓	Public						✓	

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
LEI 02	Description of ESG incorporation	✓	Public	✓						
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Public	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Public	✓						
LEI 06	Types of screening applied	✓	Public	✓						
LEI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 08	Processes to ensure fund criteria are not breached	✓	Public	✓						
LEI 09	Types of sustainability thematic funds/mandates	✓	Public	✓						
LEI 10	Description of ESG integration	✓	Public	✓						
LEI 11	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 13	Aspects of analysis ESG information is integrated into	✓	Public	✓						
LEI 14	ESG issues in index construction	⚙	n/a	✓						
LEI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
LEI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Public	✓						
LEI 17	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
LEI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	✓	Public		✓		✓			
LEA 08	Monitor / discuss service provider information	✓	Public		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Public		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Public		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Public		✓					
LEA 14	Examples of ESG engagements	✓	Public		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Public		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 19	Confirmation of votes	✓	Public		✓					
LEA 20	Securities lending programme	✓	Public		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 24	Shareholder resolutions	✓	Public		✓					
LEA 25	Examples of (proxy) voting activities	✓	Public		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

Direct - Property				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
PR 01	Breakdown of investments by equity and debt	✓	Public							✓
PR 02	Breakdown of assets by management	✓	Public							✓
PR 03	Largest property types	✓	Public							✓
PR 04	Description of approach to RI	✓	Public	✓					✓	
PR 05	Responsible Property Investment (RPI) policy	✓	Public	✓					✓	
PR 06	Fund placement documents and RI	⚡	n/a	✓			✓		✓	
PR 07	Formal commitments to RI	⚡	n/a				✓			
PR 08	Incorporating ESG issues when selecting investments	✓	Public	✓						
PR 09	ESG advice and research when selecting investments	✓	Public	✓			✓			
PR 10	Examples of ESG issues in investment selection process	✓	Public	✓		✓				
PR 11	Types of ESG information considered in investment selection	✓	Public	✓		✓				
PR 12	ESG issues impact in selection process	✓	Public	✓						
PR 13	ESG issues in selection, appointment and monitoring of third-party property managers	✓	Public				✓			
PR 14	ESG issues in post-investment activities	✓	Public		✓					
PR 15	Proportion of assets with ESG targets that were set and monitored	✓	Public		✓	✓				
PR 16	Certification schemes, ratings and benchmarks	✓	Public		✓					
PR 17	Proportion of developments and refurbishments where ESG issues were considered	✓	Public		✓					
PR 18	Proportion of property occupiers that were engaged with	✓	Public		✓					
PR 19	Proportion of green leases or MOUs referencing ESG issues	✓	Private		✓					
PR 20	Proportion of assets engaged with on community issues	✓	Public		✓					
PR 21	ESG issues affected financial/ESG performance	✓	Public	✓	✓					
PR 22	Examples of ESG issues that affected your property investments	✓	Public	✓		✓				
PR 23	Disclosure of ESG information to public and clients/beneficiaries	✓	Public						✓	

Local Government Superannuation Scheme

Reported Information

Public version

Organisational Overview

PRI disclaimer

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Basic Information

OO 01	Mandatory	Gateway/Peering	General
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OO 01.1 Select the category which best represents your primary activity.

- ☒ Non-corporate pension or superannuation or retirement or provident fund or plan
- ☐ Corporate pension or superannuation or retirement or provident fund or plan
- ☐ Insurance company
- ☐ Foundation or endowment
- ☐ Development finance institution
- ☐ Reserve - sovereign or government controlled fund
- ☐ Other, specify

OO 01.2 Additional information. [Optional]

LGS manages approximately US\$6.9 billion in superannuation assets for over 90,000 members. This includes 60,000 employees working for local government or related employers throughout NSW and 30,000 former local government employees.

LGS has approximately US\$3.9 billion invested in defined responsible investment strategies across Australian shares, international shares, property, fixed interest, and the absolute return and private equity asset classes.

OO 02	Mandatory	Peering	General
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OO 02.1 Select the location of your organisation's headquarters.

Australia

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- ☒ 1
- ☐ 2-5
- ☐ 6-10
- ☐ >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

85

OO 03	Mandatory	Descriptive	General
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OO 03.1

Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- ☐ Yes
☒ No

OO 04

Mandatory

Gateway/Peering

General

OO 04.1

Indicate the year end date for your reporting year.

31/12/2014

OO 04.2

Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on, and advisory/execution only assets.

	trillions	billions	millions	thousands	hundreds
Total AUM		6	885	206	437
Currency	USD				
Assets in USD		6	885	206	437

OO 04.5

Indicate the level of detail you would like to provide about your asset class mix.

- ☒ Approximate percentage breakdown to the nearest 5% (e.g. 45%)
☐ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

OO 04.6

Additional information. [Optional]

USD figure based on A\$/US\$ exchange rate of \$0.818123936 at 31 December 2014.

OO 06

Mandatory

Descriptive

General

OO 06.1

To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- ☒ Publish our asset class mix as percentage breakdown

	Internally managed (%)	Externally managed (%)
Listed equity	0.74	41.24
Fixed income – corporate	0	2.69
Fixed income – government	0	12.07
Fixed income – other	0	0

Private debt	0	4.02
Private equity	0	6.48
Property	5	2.43
Infrastructure	0	2.25
Commodities	0	0.71
Hedge funds	0	12.1
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	0	10.28
Other (1), specify	0	0
Other (2), specify	0	0

☐ Publish our asset class mix as broad ranges

☐ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OO 07	Mandatory to Report Voluntary to Disclose	Peering	General
OO 07.1	Provide a breakdown of your organisation's externally managed assets between segregated mandates and pooled funds.		

	% of externally managed assets
Segregated mandate(s)	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Pooled fund(s)	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50 %
<i>Total externally managed assets</i>	100%

OO 07.2

Indicate the proportion of your externally managed assets in fund-of-funds.

	% of externally managed assets
Fund-of-funds	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

OO 08

Mandatory to Report Voluntary to Disclose

Peering

General

OO 08.1

Indicate the breakdown of your organisation's AUM by market.

Market breakdown	% of AUM
Developed Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

OO 09

Voluntary

Descriptive

General

OO 09.1

Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities.

Local Government Super (LGS) manages approximately US\$6.9 billion in superannuation assets for over 90,000 members. This includes approximately 60,000 employees working for local government or related employers throughout NSW and 30,000 former local government employees. LGS has approximately US\$3.9 billion invested in defined responsible investment strategies across Australian shares, international shares, property, fixed interest, and the absolute return and private equity asset classes.

The tools employed for these responsible investment strategies include:

- Negative and positive screens via the LGS SRI Overlay;
- ESG and carbon positive thematic style investments across 4 asset class;
- Quantitative assessment of ESG and carbon risks in our listed equities portfolios;
- Design and implementation of specific ESG integrated mandates;
- Engagement with our external managers (who undertake the bulk of daily portfolio investment management in accordance to the mandate determined by LGS);
- Engagement and proxy voting on ASX and international equities.

LGS is also actively involved in industry groups with directorships of Australian Council of Superannuation Investors (ACSI), Investor Group on Climate Change (IGCC), Regnan Governance and Research and membership of UNPRI, Responsible Investment Association of Australasia (RIAA) and Global Real Estate Sustainability Benchmark (GRESB).

LGS' mission statement is: 'To provide above average and sustainable investment returns, competitive products, quality personalised service and non-commission driven financial advice.' The LGS vision statement is: 'To provide an outstanding retirement scheme for current and former employees of local government while the agreed values for all LGS staff are: trust; integrity; professionalism and unity'.

LGS has a long standing commitment to responsible investment. It commenced in 1999 when we excluded tobacco stocks across our equities portfolio and has developed considerably since then. As an asset owner that aspires to be a universal owner with a long-term, future-looking investment horizon, we believe that ESG issues create material investment risks that need to be managed. LGS believes that a well-developed responsible investment strategy can both assist in generating long-term risk-controlled investment returns while also aligning ourselves with our members' environmental and social concerns. It is recognised that the long-term prosperity of the economy and the well-being of members depends on a healthy environment, social cohesion and good governance of the companies in which it invests. LGS believes that adopting a systematic approach to managing ESG risk in our investments is entirely consistent with and will assist our fiduciary duties of acting in the best interests of our members and achieving strong long-term investment returns

LGS believes that effectively implementing responsible investment practices requires sound governance procedures and dedicated management attention. For LGS, this has resulted in formal involvement from the Board and executive team, the employment of a dedicated internal Sustainability staff and increasing our commitment to sustainability to cover corporate matters.

In the future LGS will continue to monitor its portfolios and external managers for leading practice examples that integrate sustainability with superannuation investment returns. This will continue our journey of developing our capacity in incorporating ESG issues within our investment decision making process, with an aspiration to creating portfolio 'hedges' or responses against climate change and other ESG risks, while maintaining alignment with our members' values. LGS is looking to incorporate ESG considerations and strategies across all our asset classes as long as they meet minimum investment risk reward hurdles.

Gateway asset class implementation indicators

OO 10	Mandatory	Gateway	General
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OO 10.1	Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.
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- ☒ We incorporate ESG issues into investment decisions on our internally managed assets
- ☒ We engage with companies on ESG issues via our staff, collaborations or service providers
- ☒ We cast our (proxy) votes directly or via service providers
- ☒ We address ESG incorporation, engagement and/or (proxy) voting in our external manager selection, appointment and/or monitoring processes
- ☐ None of the above

OO 11	Mandatory	Gateway	General
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OO 11.1	Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.
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- ☒ Property
- ☐ None of the above

OO 11.2	Indicate if in the reporting year you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes in the following externally managed asset classes.
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- ☒ Fixed income – corporate
- ☒ Fixed income – government
- ☒ Private debt
- ☒ Private equity
- ☒ Property
- ☒ Infrastructure
- ☒ Commodities
- ☒ Hedge funds
- ☐ Cash
- ☐ None of the above

OO 12	Mandatory	Gateway	General
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OO 12.1	The modules and sections that you will be required to complete are listed below.
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This list is based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. You are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Fixed Income and Infrastructure are voluntary.

Core modules

- ☒ Organisational Overview
- ☒ Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers

Direct - Listed Equity incorporation

- ☒ Listed Equity incorporation

Direct - Listed Equity active ownership

- ☒ Engagements
- ☒ (Proxy) voting

Direct - Other asset classes with dedicated modules

- ☒ Property

RI implementation via external managers

Indirect - Selection, Appointment and Monitoring of External Managers

- ☒ Listed Equities
- ☒ Fixed Income - Corporate
- ☒ Fixed Income - Government
- ☒ Private Debt
- ☒ Private Equity
- ☒ Property
- ☒ Infrastructure
- ☒ Commodities
- ☒ Hedge funds

Closing module

- ☒ Closing module

Local Government Superannuation Scheme

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Overarching Approach

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Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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OA 01.1	Indicate if you have a responsible investment policy.
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- ☒ Yes
☐ No

OA 01.2	Indicate if you have other guidance documents or more specific policies related to responsible investment.
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- ☒ Yes
☐ No

OA 01.3	Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]
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The LGS Board approved the LGS Sustainable and Responsible Investment Policy ('the SRI Policy') in 2009 after its recommendation by the LGS Board's Investment Committee. The SRI Policy is subject to regular review, with the most recent review concluding in September 2014. It is located on the LGS website at <http://www.lgsuper.com.au/investments/SRIpolicies.asp>. References to the SRI Policy are included specifically in other LGS policies including the Overarching Investment Policy Statement, Risk Management Strategy Statement and the LGS Due Diligence Policy.

The SRI Policy recognises that LGS is long-term in nature and that the long-term prosperity of the economy and the wellbeing of members depends on a healthy environment, social cohesion and good governance of LGS and the companies in which it invests. As a universal investor with index holdings, LGS has an interest in all major companies in Australia and overseas. The SRI Policy sets out the sustainability framework for all investments made by LGS. It covers the total investment portfolio across all asset classes, with specific policies for private equity and direct property investments. The SRI Policy includes the list of collective engagement initiatives that LGS will participate in, and the ESG risk assessment that will be required of LGS's asset consultant and investment managers.

This SRI Policy should be read in conjunction with the Investment Policy Statement and the Risk Management Strategy. The SRI Policy is consistent with the long-term investment objectives of LGS and its risk tolerance.

The SRI Policy is divided into the following topics:

- The regulatory framework of LGS;
- Selection of external asset consultants;
- Selection and monitoring of investment managers, private equity and targeted investments;
- Collaboration and engagement with other sustainable investing organisations;
- Negative screening and replacement of investments;
- Green management of direct property;
- Commitment to the issue of climate change;
- Proxy voting to influence company's environmental decisions;
- Reporting of our sustainability strategy to members; and
- Corporate citizenship.

OA 02	Mandatory	Core Assessed	PRI 6
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OA 02.1

Indicate if your responsible investment policy is publicly available.

☒ Yes**OA 02.2**

Provide a URL to your responsible investment policy.

URL

<http://www.lgsuper.com.au/investments/SRIpolicies.asp>☐ No**OA 02.3**

Indicate if your other policies or guidance documents related to responsible investment are publicly available.

☒ Yes☒ Yes, all☐ Yes, some**OA 02.4**

List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.

Policy or document name	URL
LGS Direct Property Environmental Sustainability Policy	http://www.lgsuper.com.au/documents/Sustainability/LGS%20Environmental%20SustainabilityPolicy.pdf
LGS Proxy Voting Policy	http://www.lgsuper.com.au/documents/policies/LGS%20Proxy%20Voting%20Policy.pdf?6
Our Approach to Responsible Investing	http://www.lgsuper.com.au/documents/factsheets/2014/LGS477-SustInvestPolicy%20FS%202.pdf

☐ No**OA 03****Mandatory****Core Assessed****PRI 1,2****OA 03.1**

Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input checked="" type="checkbox"/> Specific guidelines on social issues <input checked="" type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input checked="" type="checkbox"/> Other, specify Socially Responsible Investment Overlay <input type="checkbox"/> Other, specify	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

OA 03.2

Comment on any variations or exceptions in the coverage of your responsible investment policy.
[Optional]

SRI Overlay - The Trustee has determined that the Scheme will not make investments in companies that derive any revenue from:

- Controversial weapons
- Tobacco

The Trustee has also determined that the Scheme will not make investments in companies that derive more than 10% of their revenues in the following areas of activity:

- Armaments;
- Gambling;
- Old growth logging.

Following a review to our negative screens in 2014, the Scheme will also not make investments in companies that derive more than 33% of their revenues from carbon intensive activities including:

- Coal mining
- Coal fired electricity generation; and
- Oil tar sands.

The LGS Trustee may also permit the exclusion of companies with a high Environmental Social and Governance (ESG) risk profile and exhibiting poor management of these risks. Companies excluded under this screen may come from any industry sector.

Where possible, agreements with external investment managers will specify that companies in the restricted industries must be avoided. Where this is not possible, LGS will aim to eliminate the exposure to these activities by our internal investment team 'shorting' the same number of securities. These shorted companies are then replaced by investments in companies that are rated highly on ESG issues.

OA 04

Mandatory

Core Assessed

General

OA 04.1

Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

☒ Yes

OA 04.2Describe your policy on managing potential conflicts of interest in the investment process.
[Optional]

The Trustee adopts a comprehensive approach to managing situations where a conflict may arise where the same approach is applied throughout the organisation. The Trustee retains overall responsibility for ensuring that arrangements, policies and processes for managing and monitoring conflicts are in place and Responsible Persons understand their obligations. The Trustee Board has ultimate responsibility for oversight of conflicts management. The policy has identified a three stage approach as outlined below:

1. Identify the conflict - what are potential or actual conflicts, and how they may arise in the Trustee's normal business operations. Further, what the Trustee's have determined what are not conflicts.
2. Manage and assess the conflict - in accordance with the principles in this policy.
3. Disclose the conflict - in accordance with the principles in this policy, including detailed registers. In some cases, conflicts may arise between different classes or types of Scheme members or beneficiaries.

This Conflicts of Management Framework requires that all members and beneficiaries be treated equitably. Conflicts are not limited to financial matters. In particular, care must be taken to protect confidential information.

☐ No

Objectives and strategies

OA 05**Mandatory****Gateway/Core Assessed****General****OA 05.1**

Indicate if your organisation sets objectives for its responsible investment activities.

☒ Yes

OA 05.2

Indicate how frequently your organisation sets or revises objectives for responsible investment.

- ☒ At least once per year
- ☐ Less than once per year

OA 05.3

Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- ☒ Quarterly
- ☐ Biannually
- ☐ Annually
- ☐ Every two years or less
- ☐ It is not reviewed
- ☐ No

OA 05.4
Additional information. [Optional]

LGS' direct property portfolio sets annual objectives for the environmental performance of the portfolio and its tenants and monitors performance on a quarterly basis. For example our target in 2014 was for 80% of our tenants to be signed up to 100% GreenPower (renewable energy).

In other asset classes, LGS' ESG and Responsible Investment objectives are implemented in two ways.

4. Specific ESG and RI actions and goals that LGS wishes to achieve are set in the half yearly objectives of the internal sustainability staff and the outcomes are then monitored in the half yearly performance review. These sorts of objectives might include looking at ESG research providers, or assisting in a sector review and manager search, or reviewing the negative screen criteria in the SRI Overlay.
5. LGS already has a well established RI policy and governance framework to support Responsible Investment and ESG integration in our investment process. Most of LGS' work in responsible investment is therefore working on the implementation of the policy. This involves close co-ordination with the LGS Chief Executive Officer and, in particular, the LGS Chief Investment Officer on sector and manager mandate reviews. Additionally, the Head of Sustainability is present in all LGS Board level Investment Committee meetings and must provide a report on all ESG/RI activities and provide an ESG assessment on all new mandates put forward for approval.

OA 06
Voluntary
Descriptive
General
OA 06.1

List your three main responsible investment objectives you had set for the reporting year. For each, indicate any key performance indicators you set to measure your progress and also indicate your progress towards achieving your objectives.

☒ Add responsible investment objective 1

Objective 1	Complete LGS SRI Overlay criteria including potential exclusion of companies within high carbon sectors.
Key performance indicators	Publication and release of LGS SRI Overlay criteria by 30 June 2014.
Describe the progress achieved	Completed in June 2014 and published in October 2014.

☒ Add responsible investment objective 2

Objective 2	Work on International Equities Sector review and manager research.
Key performance indicators	Ensure that all managers are integrating ESG well and this is showing in performance. Potentially introduce new high ESG quality manager and mandate.
Describe the progress achieved	Underway. We are continuing to work on manager configuration within the parameters of the new negative screens introduced in 2014.

☒ Add responsible investment objective 3

Objective 3	Review emerging markets equity for ESG risk profile.
Key performance indicators	Attempt to get quantitative assessment of ESG risk profile in emerging markets. Review performance of existing managers' stock selection and portfolio construction for ESG risks.
Describe the progress achieved	Complete. LGS extended MSCI research on ESG and carbon performance to cover EM's. This enabled us to undertake ESG review of new EM manager.

OA 06.2

List your three main objectives for responsible investment implementation for the next reporting year and indicate any key performance indicators you intend to use to measure your progress.

- ☒ Add responsible investment objective 1 for the next reporting year

Objective 1 for the next reporting year	Launch new disclosure website that allows LGS to share our proxy voting practices with members and the general public before company meetings.
Key performance indicators	Proxy voting website launched.

- ☒ Add responsible investment objective 2 for the next reporting year

Objective 2 for the next reporting year	Implementation and performance monitoring of new investment screens including high carbon screen as part of our positioning and approach to climate risk management.
Key performance indicators	Quarterly performance monitoring of negative screens and high carbon screen. Participation in PRI Climate Change Strategy project.

- ☒ Add responsible investment objective 3 for the next reporting year

Objective 3 for the next reporting year	Expand proxy voting and engagement program.
Key performance indicators	Increase % of proxy voting completed and undertake assessment of expanding proxy voting universe parameters.

Governance and human resources

OA 07	Voluntary	Descriptive	General
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OA 07.1

Provide a brief description of your organisation's governance, management structures and processes related to responsible investment.

The LGS Board of Trustees is ultimately responsible for Responsible Investment and ESG issues. The CIO is responsible for implementing all investment policies including RI policies. An experienced Head of Sustainability was employed in 2010 to improve reporting, communication, engagement and day-to-day management of RI issues and ongoing development of RI risk tools and new investment opportunities.

The initial impetus for LGS' commitment to responsible investing originated from the LGS Board in 1999. Since this early time, the LGS Board and its Investment Commitment have continued to emphasise the importance of implementing responsible investing initiatives across the fund. The LGS Investment Committee actively oversees and interacts with LGS' management on RI issues. The Investment Committee receives a Sustainability Report in each of the regular Investment Committee meetings and makes themselves available to meet and be made aware of new trends and opportunities in this emerging area.

In 2010 LGS employed a full time Head of Sustainability whose role is to further progress implementation of LGS Sustainable and Responsible Investment Policy across its investment portfolio and to assist the communication of our efforts in this area by working with management and staff across LGS. The Sustainability Manager reports directly to both the LGS Chief Investment Officer and LGS CEO. The Sustainability Manager is required to submit reports on sustainability issues to every Investment Committee meeting. In 2014 LGS expanded its sustainability team to include a Sustainability Officer to help support the Head of Sustainability manage RI issues.

☐ I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OA 08
Mandatory
Gateway/Core Assessed
General
OA 08.1

Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

Roles present in your organisation

- ☒ Board members or trustees
 - ☒ Oversight/accountability for responsible investment
 - ☐ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other Chief-level staff or head of department, specify
Head of Sustainability

- ☒ Oversight/accountability for responsible investment
- ☒ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Portfolio managers
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Investment analysts
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Dedicated responsible investment staff
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ External managers or service providers
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other role, specify
 - Head of Sustainability**
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
 - ☒ Other role, specify
 - Sustainability Officer**
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment

OA 08.2	Indicate the number of dedicated responsible investment staff your organisation has. [Optional]
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Number

2

OA 08.3	Additional information. [Optional]
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The number of dedicated responsible investment staff quoted in answer 8.2 above refers to internal staff only.

OA 09	Voluntary	Additional Assessed	General
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OA 09.1

Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.

Board members/Board of trustees

- ☒ Responsible investment included in personal development and/or training plan

OA 09.2

Describe any activities undertaken during the reporting year to develop and maintain Board members' skills and knowledge in relation to responsible investment.

The Board level Investment Committee receives monthly sustainability reports that provide updates on LGS' RI program and industry developments. The Investment Committee also review RI assessments of ESG risks that are undertaken for all asset classes and new manager proposals.

- ☐ None of the above

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Other C-level staff or head of department

CIO & Head of Sustainability

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Portfolio managers

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Investment analysts

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Dedicated responsible investment staff

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Other role

Head of Sustainability

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Other role

Sustainability Officer

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

OA 09.3

Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment.

Note that LGS does not have a variable pay component to our compensation.

Promoting responsible investment

OA 10

Mandatory

Core Assessed

PRI 4,5

OA 10.1

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

Select all that apply

- ☒ Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

LGS has been a signatory to the United Nations Principles of Responsible Investment (UNPRI) since 2007. The UNPRI's efforts to establish a global framework for institutional investors to integrate responsible investment holds particular appeal for LGS. We undertake to develop approaches across the UNPRI six guiding principles and have been a strong reporter and participant in PRI projects. LGS has been actively involved in the following UNPRI working groups:

- In 2014 LGS joined the new PRI Climate Change Strategy project
- In October 2013 the PRI published a case study on LGS and our approach to applying social and environmental thematic investments without our investment portfolio
http://www.unpri.org/viewer/?file=wp-content/uploads/ESthemedinvestingcasestudy_LGSuper.pdf;
- LGS has posted our response to their 2010 and 2011 UNPRI Reporting and Assessment Surveys (available at <http://www.lgsuper.com.au/investments/sustainability/policies.asp>). In terms of results in the UNPRI survey, for both years, LGS scored in the top quartile (out of two hundred asset owners globally) for overall governance, policy and strategy as well as all six individual principles;
- UNPRI Reporting and Assessment Steering Group dedicated to designing a new reporting standards for UNPRI signatories;
- ESG and Executive Pay working group (which produced the Integrating ESG issues into Executive Pay paper dated June 2012);
- Cluster munitions divestment investor group;
- The Private equity disclosure project working group (which released the paper Environmental, Social, and Corporate, Governance (ESG) Disclosure Framework for Private Equity, March 2013);
- Sustainable Fisheries Investor Working group;
- Emerging Markets and Disclosure Project; and
- Vedanta Plc. engagement group Other initiatives that use UNPRI resources and secretariat which LGS has supported includes the Forest Roundtable for Sustainable Palm Oil and the Access to Nutrition Index.

☒ Asian Corporate Governance Association

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
☐ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

LGS attended ACGA meetings held in Australia during the year.

- ☐ Association for Sustainable & Responsible Investment in Asia
☒ Australian Council of Superannuation Investors

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

LGS is a Foundation Member and client of the Australian Council of Superannuation Investors (ACSI).
In July 2013 a representative of LGS became a director of ACSI when it changed its governance to enable a proper Board structure. LGS also participates in the ACSI Member Council.

☒ CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

LGS is a signatory to CDP. LGS has spoken at events launching CDP Reports.

☒ CDP Forests

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

LGS is a signatory to the Forest Footprint Disclosure project which is now part of CDP.

☒ CDP Water

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

LGS is a signatory to CDP Water.

- ☐ CFA Institute Centre for Financial Market Integrity
- ☐ Council of Institutional Investors (CII)
- ☐ Eumedion
- ☐ Extractive Industries Transparency Initiative (EITI)
- ☐ Global Investors Governance Network (GIGN)
- ☒ Global Real Estate Sustainability Benchmark (GRESB)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

LGS was the first Australian member of GRESB. LGS participates in the GRESB survey for our own internally managed direct property portfolio. LGS has achieved a top level 'Green Star' rating by GRESB in previous years.

- ☒ Institutional Investors Group on Climate Change (IIGCC)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

LGS collaborates with the IIGCC through its membership and involvement with the IGCC in Australia.

- ☒ Interfaith Center on Corporate Responsibility (ICCR)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

LGS was the first Australian super fund to sign the Investor Statement on Bangladesh and join a coalition of international investors being co-ordinated by the ICCR engaging with large Australian and international companies to sign the Bangladesh Accord on Fire and Safety. This followed a spate of fires and building collapses in Bangladesh killing thousands of local garment workers.

- ☐ International Corporate Governance Network (ICGN)
- ☒ Investor Group on Climate Change, Australia/New Zealand (IGCC)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

LGS has been actively involved with the IGCC. LGS views climate change as the most significant ESG investment risk for our portfolio.
Since 2011 an LGS representative has been on the Management Committee of the IGCC. This requires providing strategic guidance and overview to the IGCC executive at monthly meetings. LGS has also been involved in Low Carbon Finance and Water working groups as well as attending monthly member meetings.

- ☒ Investor Network on Climate Risk (INCR)/CERES

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

LGS is part of an international coalition of 70 investors that are engaging with 40 of the world's largest coal, oil and gas companies on the area of climate change risks notably the concepts of 'unburnable carbon' and stranded assets.

- ☐ Local Authority Pension Fund Forum
- ☒ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify Responsible Investment Association of Australasia (RIAA)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

LGS is a long standing member of RIAA (RIAA), which is the peak industry body for professionals working in responsible investment in Australia and New Zealand. LGS especially values RIAA's work in developing education courses via the Responsible Investment Academy and its fund certification program. LGS provides regular input into RIAA newsletters and has spoken at their industry events.

- ☐ Shareholder Association for Research and Education (Share)
- ☒ United Nations Environmental Program Finance Initiative (UNEP FI)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

LGS has worked with UNEP FI on our approach to assessing carbon risks across our investment portfolios. In July 2013, LGS was a case study as a leading investor globally in the UNEP FI document 'Portfolio Carbon Measuring, disclosing and managing the carbon intensity of investments and investment portfolios' http://www.unepfi.org/fileadmin/documents/UNEP_FI_Investor_Briefing_Portfolio_Carbon.pdf.

LGS has also been asked to participate on an international advisory council to develop Scope 3 Greenhouse Gas Reporting Protocol for Finance Sector Guidance <http://www.ghgprotocol.org/standards/scope-3-standard>

- ☐ United Nations Global Compact
- ☒ Other collaborative organisation/initiative, specify
Regnan Governance Engagement and Research (Regnan).

Your organisation's role in the initiative during the reporting year (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

LGS is a part owner and subscriber to Regnan. An LGS representative is also a director of Regnan. Regnan undertakes ESG research and engagement on ASX 200 companies on behalf of its clients. Regnan also submits policy advocacy papers for government enquiries on ESG and financial market integrity related issues.

- ☒ Other collaborative organisation/initiative, specify
Asian Investor Group on Climate Change (AIGCC).

	Your organisation's role in the initiative during the reporting year (see definitions)
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- ☒ Basic
☐ Moderate
☐ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--	--

LGS is an 'international supporter member' of AIGCC.

- ☒ Other collaborative organisation/initiative, specify
 Global Investor Coalition on Climate Change (GIC)

	Your organisation's role in the initiative during the reporting year (see definitions)
--	--

- ☐ Basic
☒ Moderate
☐ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--	--

LGS is involved in the GIC via our Management Committee status on the Investor Group on Climate Change.
 LGS was also profiled a case study in the 2013 Global Climate Change Investor Survey
<http://globalinvestorcoalition.org/projects/>.

- ☒ Other collaborative organisation/initiative, specify
 Multiple Australian green property initiatives and UNPRI property working group.

	Your organisation's role in the initiative during the reporting year (see definitions)
--	--

- ☐ Basic
☒ Moderate
☐ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
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For more information on LGS' involvement in Australian green property initiatives, refer to
<http://www.lgsuper.com.au/investments/property.asp>

OA 11	Mandatory	Core Assessed	PRI 4
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OA 11.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
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- ☒ Yes

OA 11.2

Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- ☒ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- ☒ Provided financial support for academic or industry research on responsible investment
- ☒ Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- ☒ Spoke publicly at events and conferences to promote responsible investment
- ☒ Wrote and published in-house research papers on responsible investment
- ☒ Encouraged the adoption of the PRI
- ☒ Other, specify

LGS strongly favours transparency and disclosure. Our website contains significant amounts of information on our policies, our process and approach to ESG.

☐ No

OA 11.3

Additional information. [Optional]

Re point 1:

During 2014, LGS conducted client and member seminars on responsible investment. This is conducted both by LGS Sustainability Staff and our internal planners and advisers who have been trained and regularly updated on LGS Responsible Investment (RI) initiatives. We also include RI articles in our newsletters and statement sent to members. For our external investment managers, we engage and discuss RI issues and provide the outcomes of the ESG and Carbon Portfolio Audits that LGS commissions to highlight the ESG risk profile of equities mandates. We meet with our asset consultant on a quarterly basis to discuss ESG issues.

Re point 2:

LGS provides financial support by being fee-paying clients of industry research groups MSCI ESG Research as well as Regnan Governance and Engagement (Regnan).

Re point 3:

Since 2010, LGS has included a specific clause on our commitment to Responsible Investment and our SRI Policy in all new Investment Management Agreements. We also have scheduled regular ESG and Responsible Investment issue reporting as part of our external managers regular performance reporting.

Re point 4:

LGS representatives speak at multiple events and conferences on responsible investment. In 2014 this included the Australian PRI event on ESG integration in fixed income investments in October. LGS was also involved in multiple webinars during 2014.

Re point 5:

LGS website <http://www.lgsuper.com.au/investments/SRIpolicies.asp> includes some in house research papers on our Sustainable Global Government Bond mandate and our ESG and Carbon Portfolio Audits and LGS' approach to thematic investment. This is in addition to our regular reporting on proxy voting and our direct property portfolio's environmental performance.

Re point 6:

It is not mandatory that external managers employed by LGS join the PRI. However, given LGS' emphasis on ESG and RI in determining mandates, potential managers need to demonstrate good understanding of ESG and commitment to RI.

Re Point 7:

LGS strongly favours transparency and disclosure. Our website contains significant amounts of information on our policies, our process and approach to ESG and RI as well as reporting. LGS is also regularly in trade and mainstream media on ESG and RI issues.

OA 12

Voluntary

Additional Assessed

PRI 4,5,6

OA 12.1

Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or standard-setters in support of responsible investment in the reporting year.

☒ Yes

☐ Yes, individually

☒ Yes, in collaboration with others

OA 12.2

Select the methods you have used.

☒ Endorsed written submissions to governments, regulators or standard-setters developed by others

☐ Drafted your own written submissions to governments, regulators or standard-setters

☐ Participated in face-to-face meetings with government members or officials to discuss policy

☒ Other, specify

See comments section below in 12.4

OA 12.3

Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.

☒ Yes, publicly available

provide URL

<http://acsi.org.au/acsi-guidelines23/policy-submissions.html>

provide URL

<http://www.igcc.org.au/content/publications>

☐ No

☐ No

OA 12.4

Additional information.

LGS believes that for a fund of its size, it is more efficient and effective to conduct advocacy on a collaborative basis. LGS conducts its industry advocacy on ESG and RI issues almost exclusively via our active involvement in industry groups, eg. ACSI, Regnan and the IGCC. Note that in all three organisations, LGS has a directorship role and is highly active in the oversight of the executive and we provide strategic input on the approach to advocacy as well feedback on some submissions. ACSI's and IGCC's position papers and public submission to government enquiries are located at <http://acsi.org.au/acsi-guidelines23/policy-submissions.html> and <http://www.igcc.org.au/igcc-public-submissions>

IGCC - Through IGCC we contributed to public policy development by multiple submissions and meetings with Government officials on the Renewable Energy Target. There were additionally three public submissions on government policy for complementary measures. In addition:

- IGCC represented our organisation in dialogue with Government officials on Australia's contributions to international climate change negotiations and wrote to G20 Governments on climate policy ambition.
- IGCC also conducted on our behalf, private meetings with Government Ministers, Opposition representatives and The Greens party, regarding climate change policy priorities. The IGCC facilitated presentations by, and dialogue with, the Climate Change Authority and the Emissions Reduction Fund Taskforce of the Federal Department of the Environment.

- Through IGCC we also participated in a number of international statements on climate change policy that were delivered to heads of state and lead national negotiators participating in UNFCCC processes. Collaboration with the GIC (Global Investor Coalition on Climate Change) UNEPFI and PRI was a feature of these activities.
- IGCC also represented members at the UN Secretary General's Climate Change Summit in New York in September and at several preparatory meetings, including the Abu Dhabi Ascent in May.

ESG issues in asset allocation

OA 13	Voluntary	Descriptive	PRI 1
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OA 13.1

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.

☒ Yes

- ☒ Allocation between asset classes
- ☐ Determining fixed income duration
- ☐ Allocation of assets between geographic markets
- ☐ Other, specify

OA 13.2

Describe how you apply ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.

Strategic Asset Allocation (SAA) prior to 2013, LGS' main asset consultant was Mercer Investment Consulting who is renowned for their capabilities in responsible investment and climate change. LGS used Mercer for our portfolio-wide bi-annual strategic asset allocation (SAA) reviews - and our 2011 review incorporated climate change impacts in the SAA as part of the spin out from Mercer's influential work on Climate change and Strategic Asset Allocation. LGS provided a detailed response on this process in our 2012 Asset Owner Disclosure Project response on this, available at <http://www.lgsuper.com.au/investments/SRIpolicies.asp>. LGS has since changed it's main asset consultant to JANA Investment Advisors. For LGS' 2013 SAA review, LGS engaged an independent consultant, Mark Fulton, of Energy Transition Advisors to work with LGS to develop a climate change risk scenario that will feed into the JANA's modelling for strategic asset allocation. Mark has very strong credentials in climate change risk analysis having been previously Head of Deutsche Bank Climate Change Advisors as part of a 35 year career in institutional investment research and strategy. Through this work, LGS has developed a 'climate cap policy shock' scenario and how this would impact the return and volatility forecasts that JANA has already provided for us for each asset class as part of the SAA review.

The basis of the policy shock is the 'Durban Platform' which was the major announcement from the 2011 international government CoP (Conference of Parties) meeting in Durban. The Durban Platform stated that all countries (developed and emerging) would work toward a schedule to negotiate a new protocol and legal instrument covering all countries that would be settled in the Paris CoP in December 2015 and which would be enforceable by 2020. We think the two dates 2015 and 2020 are pivotal. Firstly, late 2015 would likely represent the time of LGS' next major SAA review. As such, the current LGS SAA review and its asset class return and volatility forecast will be reset in one year - at this time we will have a much better idea of whether the climate change policy shock will play out. We do think however, that if there is a climate cap shock that markets will react immediately i.e. around 2015 rather than waiting until 2020 enforcement period and so consideration of a climate change shock scenario should be incorporated now.

That being said the 2020 enforcement date is important because it represents 7 years forward exactly as per the JANA asset class forecasting model. The analytical process of the climate cap shock involves first establishing the case for the climate change shock, it then goes through mitigation pathways on how this shock may be played out across industries within asset classes, before turning its attention to strategic asset allocation implications and how this might impact asset class returns.

In doing this research we have drawn extensively on all research globally. This includes International Energy Agency 2012 World Energy Outlook and its variety of carbon pricing and degrees of warming scenarios. However, for the purpose of this SAA review, the climate cap policy shock is considering the impact of the

shock itself rather than any monetary impact from the setting of a global carbon price. The conclusions of the research were incorporated into LGS' overall SAA review and resulted in a change in asset allocation from the previous SAA review.

☐ No

OA 14	Voluntary	Descriptive	PRI 1
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OA 14.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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☒ Yes

OA 14.2	Indicate the percentage of your total AUM invested in environmental and social themed areas.
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	% of total AUM
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60

OA 14.3	Please specify which thematic area(s) you invest in and provide a brief description.
---------	--

	Area
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☒ Clean technology (including renewable energy)

	Asset class invested
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- ☒ Listed equity
- ☐ Fixed income - corporate
- ☒ Fixed income - government
- ☐ Private debt
- ☒ Private equity
- ☐ Property
- ☒ Infrastructure
- ☐ Commodities
- ☒ Hedge funds

	Brief description of investment
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Listed equity: Allocation to specific mandate to invest in companies generating at least 50% of revenues or deploying at least 50% of capital to the environmental sector (renewable energy, water treatments, waste and resource management, efficiency).

Fixed income - Government: Allocation to Green or Climate Bonds issued by Supranational Agencies such as the IFC and European Investment Bank.

Private equity: Two mandates in a well-diversified 'clean technology' private equity 'fund-of-fund' investing in early stage and growth technologies in the area of environmental, resource and low carbon products and services.

Infrastructure: A small component of our infrastructure assets is invested in wind farms.

Hedge funds: LGS has allocated investment to a fund that invests in the Australian electricity wholesale market and related derivatives including renewable energy certificates and/or any other environmental related markets. The purpose of the fund is to increase our knowledge of the electricity markets and act as a form of hedge against rising power prices which may occur due to extreme weather events.

☒ Green buildings

Asset class invested

- ☐ Listed equity
- ☐ Fixed income - corporate
- ☐ Fixed income - government
- ☐ Private debt
- ☐ Private equity
- ☒ Property
- ☐ Infrastructure
- ☐ Commodities
- ☐ Hedge funds

Brief description of investment

LGS manages its property portfolio internally. It comprises 9 properties, a mixture of 3 retail centres, 5 commercial and 1 industrial. Since 2007, LGS' entire direct property portfolio has undergone significant green refurbishments and fit outs aimed to improve the efficiency and attractiveness of the property portfolio, with most of the work focusing on lighting, air conditioning and introducing innovative technologies. More details on LGS efforts in direct property are detailed elsewhere in this PRI report as well as <http://www.lgsuper.com.au/investments/propertyGraphs.asp>

In short, LGS has reduced its energy consumption in its property portfolio by more than 36% since 2009. The entire portfolio is rated 6 star NABERS Energy (the highest building energy rating in Australia) and the Global Real Estate Sustainability Benchmark (GRESB) survey has rated LGS's portfolio as a 'Green Star'. For these reasons we consider the LGS portfolio to be classified as a 'green building'.

☐ Sustainable forestry

☒ Sustainable agriculture

Asset class invested

- ☒ Listed equity
- ☐ Fixed income - corporate
- ☐ Fixed income - government
- ☐ Private debt
- ☐ Private equity
- ☐ Property
- ☐ Infrastructure
- ☐ Commodities
- ☐ Hedge funds

Brief description of investment

Listed equity: Allocation to specific mandate to invest in companies generating at least 50% of revenues or deploying at least 50% of capital to the environmental sector (renewable energy, water treatments, sustainable agriculture, waste and resource management, efficiency).

- ☐ Microfinance
- ☐ SME financing
- ☐ Social enterprise / community investing
- ☐ Affordable housing
- ☐ Education
- ☐ Global health
- ☒ Water

Asset class invested

- ☒ Listed equity
- ☐ Fixed income - corporate
- ☐ Fixed income - government
- ☐ Private debt
- ☐ Private equity
- ☐ Property
- ☐ Infrastructure
- ☐ Commodities
- ☐ Hedge funds

Brief description of investment

Listed equity: Allocation to specific mandate to invest in companies generating at least 50% of revenues or deploying at least 50% of capital to the environmental sector (renewable energy, water treatments, waste and resource management, efficiency).

- ☒ Other area, specify
Waste and pollution control

Asset class invested

- ☒ Listed equity
☐ Fixed income - corporate
☐ Fixed income - government
☐ Private debt
☐ Private equity
☐ Property
☐ Infrastructure
☐ Commodities
☐ Hedge funds

Brief description of investment

Listed equity: Allocation to specific mandate to invest in companies generating at least 50% of revenues or deploying at least 50% of capital to the environmental sector (renewable energy, water treatments, waste and resource management, efficiency).

☐ No

Innovation

OA 18	Voluntary	Descriptive	General
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OA 18.1	Indicate whether any specific features of your approach to responsible investment are particularly innovative.
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☒ Yes

OA 18.2	Describe any specific features of your approach to responsible investment that you believe are particularly innovative.
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The LGS Board has always had a long-term commitment to RI and ESG (which commenced in 1999 when it banned tobacco stocks). LGS has long held the view that management of ESG risks in its investment portfolios is fundamental to fulfilling its fiduciary duties to members - acting in the best interest to generate strong long-term retirement savings. The LGS SRI Policy requires the addressing of ESG risks across the entire investment portfolio with multiple asset classes. As a long-term institutional asset owner, it can be difficult to address these risks, however, as we have built internal staffing resources, LGS has attempted to do so with some innovative product and mandate designs, including the following examples:

- The LGS SRI Overlay** - this is a negative screen/positive screen process that was introduced on Australian shares in 2004 and international shares in 2011. Since their inception, in Australian shares it has contributed +10 basis points pa and international shares +4 basis point pa to the overall performance of the fund. The SRI Overlay ensures that the fund does not have exposure to companies generating more than 10% revenue to tobacco, armaments, gambling, old growth forests, more than 33% of revenue from coal mining, coal fired electricity generation and oil tar sands as well as companies considered as having a high ESG risk with poor management of these risks. LGS sells any exposure to these companies and then invests in companies with positive ESG attributes. This process has both ensured that we do not have exposure to certain sectors and high ESG risk and controversial companies while also contributing positively to the fund's investment performance.

- **LGS Sustainable Global Government bonds** - In 2012 LGS introduced this innovative approach across our entire allocation to global government bond securities. The process integrates data on the countries' exposure to ESG issues as part of the investment approach. It also allocates up to 20% of the portfolio to the new investment assets called 'Climate' or 'Green' bonds issued by supranational agencies such as the IFC and European Investment bank. These AAA rated bonds offer similar yields to other bonds however the funds raised are devoted to climate change adaptation and mitigation projects in developing countries. LGS is one of the only Australian superannuation funds to invest in these bonds.
- **ESG enhanced passive international equities** - In 2012 LGS developed an ESG-integrated enhanced-passive international equities mandate managed by Hermes Funds Management, a group known for their capabilities in ESG and Responsible Investment. This is one of the first quantitative international equities mandates globally that explicitly integrates ESG signals in the investment process and the manager is also able to attribute investment out-performance to ESG issues.
- **Thematic** - as detailed in section OA14, LGS has exhibited leadership by investing in thematic investments (mainly addressing climate change risks) across 4 asset classes.
- **Strategic Asset Allocation** - As detailed in Section OA13, LGS work in integrating climate change risks in to our Strategic Asset Allocation process, which is to our knowledge, one of the first examples globally.
- **Property** - As evident in the section on Property investments, LGS' efforts in reducing our energy consumption on our property portfolio by 36% since 2009 through use of energy efficient technologies is another example of innovation and leadership.

☐ No

Assurance of responses

OA 19	Voluntary	Additional Assessed	General
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OA 19.1	Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.
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☒ Yes

OA 19.2	Indicate who has reviewed, validated and/or assured your reported information.
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- ☒ Reviewed by Board, CEO, CIO or Investment Committee
- ☐ Validated by internal audit or compliance function
- ☐ Assured by an external independent provider, specify name

OA 19.3	Describe the steps you have taken to review, validate and/or assure the content of your reported information.
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In addition to the review by the LGS CEO and CIO, the integrity of the information contained in this report is evidenced by:

- All information in this document is consistent with what LGS has announced previously with regards to ESG and responsible investment. LGS has high level of transparency and disclosure and the important pieces of information in this response can be cross referenced on our website. Where possible and appropriate, we have asked external parties to provide information.

☐ No

Local Government Superannuation Scheme

Reported Information

Public version

Indirect – Manager Selection, Appointment and Monitoring

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

SAM 01	Voluntary	Descriptive	PRI 1-6
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SAM 01.1

Provide a brief description of how your organisation includes responsible investment considerations in your investment manager selection, appointment and monitoring processes.

LGS' SRI policy covers all asset classes. As such evaluation of RI and ESG issues for new and existing mandates and managers are expected across all new mandates as well as for existing asset class reviews. The extent of the involvement of the RI and ESG teams is determined by the LGS Carbon and ESG Risk Framework which is an internal tool which aims to assess the extent of ESG risk in asset classes along with the desired risk return objectives (such as extent of active management) for the asset class. The output of this asset class assessment from the ESG and Carbon Framework then drives the extent and influence of the RI and ESG factors in new and ongoing mandates (i.e. where it is assessed that there is low ESG risks such as cash there is minimal oversight from LGS' internal ESG staff and vice versa).

All new managers and mandates must be reviewed and recommended by LGS' external asset consultant. The most common approach is for the asset consultant to shortlist 2-3 preferred managers and LGS then conducts its own ESG assessment of these managers (LGS requires that the asset consultant will have done some analysis of the ESG capabilities of the shortlisted manager). Less commonly, LGS will initiate discussions with a manager on a specific mandate concept that would feature high levels of innovation and sophistication from an ESG/RI perspective and therefore requiring high levels of ESG competency within the manager. Examples include the recent international equities enhanced passive mandate featuring high levels of ESG incorporation as well as the LGS Sustainable Global Government bond mandate. LGS also holds multiple discussions with potential managers with specific ESG or thematic products (renewable energy infrastructure). In both these instances, if the discussions progress well, then the mandate and the manager are sent to the LGS external asset consultant for review. For sectors with high ESG risk, LGS will have an ESG/RI Rating and commentary for each new mandate that goes to the LGS Investment Committee for approval. If a manager is recommended for appointment, then it must complete the LGS Due Diligence questionnaire. This document includes ESG/RI questions that must be completed even in those sectors are determined as low risk. The LGS Due Diligence Policy specifically references the LGS SRI Policy as one that must be fulfilled in selection of managers.

LGS reviews all asset classes' mandates and managers on a regular basis. Again depending on the importance of ESG risk in the asset classes, LGS employs various means of reviewing its ESG performance. Examples include - LGS Sustainability staff being involved in regular manager meetings; LGS sources ESG and Carbon portfolio audits of its Australian and international equities holdings. These provide quantitative analysis of the ESG risks in managers' portfolios relative to the broader benchmark. These enable dialogue and engagement with the manager on ESG issues. In certain sectors in our Investment Management Agreement with managers, LGS requires managers to report on ESG and RI issues on a regular basis as part of the reporting requirements.

SAM 02	Mandatory	Core Assessed	PRI 4
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SAM 02.1

Indicate if your organisation uses investment consultants and/or fiduciary managers in the selection, appointment and/or monitoring of external managers.

☒ Yes

SAM 02.2

Indicate how your organisation uses investment consultants and/or fiduciary managers in the selection, appointment and/or monitoring of external managers. [Optional]

☒ We use investment consultants in our selection and appointment of external managers

	Asset class
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- ☒ Listed Equity (LE)
 - ☒ Fixed income - corporate (FIC)
 - ☒ Fixed income - government (FIG)
 - ☒ Private equity (PE)
 - ☒ Infrastructure (INF)
 - ☒ Property (PR)
 - ☒ Other asset classes
- ☒ We use investment consultants in our monitoring of external managers

	Asset class
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- ☒ Listed Equity (LE)
 - ☒ Fixed income - corporate (FIC)
 - ☒ Fixed income - government (FIG)
 - ☒ Private equity (PE)
 - ☒ Infrastructure (INF)
 - ☒ Property (PR)
 - ☒ Other asset classes
- ☐ We use fiduciary managers

SAM 02.3

Indicate if your organisation considers responsible investment in the selection, appointment and/or review processes for investment consultants and/or fiduciary managers.

- ☒ Responsible investment is included in the selection process for investment consultants
- ☒ Consultants' responsibilities in relation to responsible investment in manager selection, appointment and monitoring processes are included in our contractual agreements with them
- ☒ Responsible investment is considered when reviewing investment consultants' advice on manager selection and performance monitoring
- ☐ We do not consider responsible investment in the selection, appointment and/or review processes for investment consultants.

☐ No

SAM 03	Mandatory	Gateway	General
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SAM 03.1

Indicate for which of the following externally managed asset classes your organisation, and/or your investment consultants, consider responsible investment factors in investment manager: (a) Selection, (b) Appointment (investment management agreements/contracts), and (c) Monitoring

Select all that apply

Asset classes	(a) Selection	(b) Appointment	(c) Monitoring
Listed equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Fixed income - corporate	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Fixed income - government	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Private equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Private debt	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Property	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Infrastructure	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Commodities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hedge funds	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Listed equity (LE), fixed income corporate (FIC) and fixed income government (FIG)

Overview

SAM 04	Mandatory to Report	Voluntary to Disclose	Gateway/Peering	General
SAM 04.1	Provide a breakdown of your externally managed listed equities, corporate fixed income and government fixed income by passive, active quant, active fundamental and other active strategies.			
	Listed equity (LE)			

Type of strategy	As % of externally managed listed equity
Passive	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Active - quantitative (quant)	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%

Fixed income - corporate (FIC)

Type of strategy	As % of externally managed corporatefixed income
Passive	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - quantitative (quant)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

Fixed income - government (FIG)

Type of strategy	As % of externally managed government fixed income
Passive	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
Active - quantitative (quant)	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%

SAM 05	Mandatory	Gateway	PRI 1,2
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SAM 05.1	Indicate which of the following ESG incorporation strategies you encourage or require your external manager(s) to implement on your behalf:
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	Active investment strategies
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Active investment strategies	LE	FIC	FIG
Screening	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Thematic	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Integration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Passive investment strategies
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Passive investment strategies	LE		FIG
Screening	<input type="checkbox"/>		<input type="checkbox"/>
Thematic	<input type="checkbox"/>		<input type="checkbox"/>
Integration	<input type="checkbox"/>		<input type="checkbox"/>
None of the above	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>

SAM 05.2

Indicate if - on your externally managed assets - you engage directly, via service providers, or via your external manager.

	LE	FIC
We engage directly or via service providers on our externally managed assets	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
We require our external managers to engage on our behalf	<input checked="" type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>

SAM 05.3

Indicate if - on your externally managed listed equities - you cast your (proxy) votes directly, via service providers, or via your external manager.

	LE
We cast our (proxy) votes directly or via service providers on our externally managed assets	<input checked="" type="checkbox"/>
We require our external managers to cast our (proxy) votes on our behalf	<input type="checkbox"/>
None of the above	<input type="checkbox"/>

SAM 05.4

Additional information. [Optional]

Re passively managed strategies SAM5.1: In commingled trust vehicle in listed equities, LGS applies our SRI Overlay process. If this trust has investments in activities that are part of LGS' negative screens, then LGS' internal investment team will sell the equivalent amount of the shares. (However, this is not screened by external managers as specifically asked in the question). The Overlay then requires that we invest the funds in companies from similar sectors, geography and size with more positive ESG attributes.

Selection

SAM 06	Mandatory	Core Assessed	PRI 1-6
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SAM 06.1	Indicate whether your organisation, and/or your investment consultant, in the manager selection process for listed assets, typically do any of the following:
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	General
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	LE	FIC	FIG
Review the manager's responsible investment policies	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss managers' governance and management of responsible investment activities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Meet staff with responsible investment responsibilities to assess their skills and competence	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss minimum responsible investment expectations that managers must meet	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss the role managers have played in collaborative initiatives	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Review the manager's responsible investment reporting to clients and/or the public, including PRI reporting	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss the type of ESG reporting you expect	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Assign specific weighting to ESG factors in your manager evaluation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other general aspects in your selection process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	ESG incorporation
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	LE	FIC	FIG
Evaluate the quality and coverage of ESG research used by managers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assess how the manager incentivises brokers to provide ESG research	<input checked="" type="checkbox"/>	n/a	n/a
Assess managers' ESG incorporation strategies and ability to identify and manage ESG issues	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss with managers how ESG issues have impacted specific investment decisions and, where relevant, stock or portfolio performance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other ESG incorporation issues in your selection process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Engagements

	LE	
Discuss the managers' engagement processes	<input checked="" type="checkbox"/>	
Discuss the role managers have played in influencing companies' ESG practices and performance	<input checked="" type="checkbox"/>	
Discuss how information gained through engagement is incorporated into investment decision-making	<input checked="" type="checkbox"/>	
Other engagement issues in your selection process, specify	<input type="checkbox"/>	
None of the above	<input type="checkbox"/>	

SAM 06.2

Provide additional information relevant to your organisation's selection approach for listed assets. [Optional]

While LGS has ticked multiple boxes above for listed equities, fixed income corporate and fixed income government, LGS is far more progressed in these practices in listed equities. For fixed interest corporate, most of the ESG/RI work has been reasonably high level and rudimentary. LGS' negative screens have been applied on three mandates and one mandate in particular there has been discussion on ESG incorporation. Note that boxes ticked above in Fixed Income Government pertain to only one of the three mandates that LGS has in this asset class. This is the LGS Sustainable Global Government Bond mandate which does incorporate ESG extensively in the process. The other two mandates are passive and there has been no contact on ESG and RI issues.

Appointment

SAM 07	Voluntary	Additional Assessed	PRI 4
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SAM 07.1	When appointing managers, indicate which of the following responsible investment considerations your organisation typically includes in investment management agreements/contracts for your listed assets:
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	General
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	LE	FIC	FIG
Acting in accordance with your organisation's overall investment beliefs or policy on responsible investment and ESG issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other general RI considerations in investment management agreements, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	ESG incorporation
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	LE	FIC	FIG
Specific requirements relating to the incorporation of ESG issues into investment decision-making	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other RI considerations relating to ESG incorporation in investment management agreements, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Engagement
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	LE	
Specific requirements relating to engagement	<input checked="" type="checkbox"/>	
Other RI considerations relating to engagement in investment management agreements, specify	<input checked="" type="checkbox"/>	
None of the above	<input type="checkbox"/>	

	Reporting
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	LE	FIC	FIG
Reporting on the agreed responsible investment activities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Reporting on the ESG characteristics of the portfolio	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Reporting on the impact of ESG issues on financial performance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other RI considerations relating to reporting in investment management agreements, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SAM 07.2

Provide additional information relevant to your organisation's manager appointment process and considerations included in contractual agreements for listed assets.

LGS has been incorporating responsible investment and ESG requirements in all newly negotiated Investment Management Agreements (IMAs) since 2011. This includes listed equities and corporate and government fixed interest. The approach is that there is an additional clause in the IMA that notes LGS' commitment to responsible investment. In particular, it highlights to the manager that we have the LGS SRI Policy which should be considered. It also contains requirements on manager reporting of ESG issues. The specific ESG reporting requirements are scheduled in the IMA, along with other manager reporting requirements. At this stage LGS is expecting more detailed ESG reporting for equities as opposed to fixed interest. The IMAs also enable LGS to request the manager to undertake and provide feedback on company engagement and dialogue as well as to provide the rationale and recommendations in regards proxy voting, if requested.

Monitoring

SAM 08

Mandatory

Core Assessed

PRI 1

SAM 08.1

Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:

General

	LE	FIC	FIG
Include responsible investment as a standard agenda item at performance review meetings	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Highlight examples of good responsible investment practice by other managers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Review the manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Encourage your managers to consider joining responsible investment initiatives/organisations or participate in collaborative projects with other investors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Request information on whether your manager's approach to ESG issues has impacted financial performance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Request information on whether your manager's approach to ESG issues has impacted risk or volatility	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Request information on whether your manager's approach to ESG issues has impacted ESG performance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other general aspects of your monitoring, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ESG incorporation

	LE	FIC	FIG
Request information on ESG incorporation in specific investment decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other ways you monitor ESG incorporation, specify	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Engagements

	LE	
Review the ESG information relevant to the engagements	<input checked="" type="checkbox"/>	
Discuss the number of engagements and their comprehensiveness	<input checked="" type="checkbox"/>	
Discuss the type of role played (i.e. leading or supporting)	<input type="checkbox"/>	
Review the progress of ongoing engagements and/or outcomes of completed engagements	<input type="checkbox"/>	
Other ways you monitor engagement activities, specify	<input type="checkbox"/>	
None of the above	<input type="checkbox"/>	

SAM 08.2	Provide additional information relevant to your organisation's dialogue and monitoring of external managers. [Optional]
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'General' section above: we contact our managers for their views on individual stocks which have received media exposure around ESG issues or where LGS has a large exposure and active weight.

'ESG incorporation': LGS commissions half yearly ESG and Carbon portfolio audits on our domestic and international listed equity managers. These quantify ESG risk in our managers' portfolios relative to their benchmark. This assists LGS in identifying ESG risk 'hot spots' in the portfolio that may, or may not, be due to lack of ESG incorporation (this acts as a prompt to engage and discuss with the managers).

'Engagements' section: LGS notes managers involved in corporate engagements and or advocacy. We do not formally rate their performance in engagements.

Private equity (PE), property (PR) and infrastructure (INF) - non-listed assets

Selection

SAM 10	Mandatory	Core Assessed	PRI 1-6
SAM 10.1	Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:		
	General		

	PE	PR	INF
Review the manager's/general partner's responsible investment policy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss the manager's governance and management of responsible investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Meet staff with responsible investment responsibilities to assess their skills and competence	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss minimum responsible investment expectations that managers must meet	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss the role managers have played in collaborative initiatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Assess the external manager's reporting and how it will help you to monitor that it is acting consistent with the agreed-upon ESG-related policies and practices during the life of the fund	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Review the manager's responsible investment disclosure, including PRI reporting	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assign specific weighting to ESG factors in your manager evaluation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other general aspects in your selection process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment selection (pre-investment) of underlying holding

	PE	PR	INF
Assess the manager's policies, processes and systems for identifying ESG-related value drivers and managing material ESG-related risks pre-investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other pre-investment aspects reviewed in your selection process, specify	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment monitoring (post-investment) of underlying holding

	PE	PR	INF
Understand if and how the manager influences and supports its portfolio companies'/assets' management of ESG-related risks and pursuit of ESG-related opportunities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Discuss examples of how managers have previously identified and addressed ESG issues in their portfolios on an ongoing basis	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Assess the manager's/general partner's approach to managing and disclosing material incidents at the manager / General Partner and underlying holdings	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other post-investment aspects reviewed in your selection process, specify	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you select any 'Other' option(s), specify

Other - LGS reviews underlying portfolio holdings for any ESG controversies that may have emerged and impacted performance.

SAM 10.2

Provide additional information relevant to your organisation's selection approach for non-listed assets. [Optional]

Notes on LGS' Private equity (PE), property (PR) and infrastructure (INF) - non-listed assets - Selection: Note that LGS' externally managed property assets here refer to our global listed REITs. ESG and RI issues for this asset class in the selection, appointment and monitor of managers is as per the response in section SAM04-SAM09. For non-listed private equity and infrastructure investments, LGS relies substantially on our specialist external asset consultant, Quentin Ayers and to a lesser extent our main asset consultant JANA. The consultants review investment opportunities and managers in these asset classes and put them forward for recommendation for LGS. As per comments in Section SAM 01, LGS has developed an internal LGS ESG and Carbon Framework which aims to give guidance on the magnitude of ESG risks in each asset class. From this private equity and infrastructure are ranked among the asset classes with highest ESG risks and indeed opportunities (especially in terms of thematic investment). Managers are selected in the following two ways. More commonly the asset consultants will suggest managers and strategies for LGS. As part of this process the asset consultants must review the underlying manager's investment process including ESG and responsible investment capabilities. This will include a written note from the asset consultant on ESG as part of the final due diligence recommendation put forward to the LGS Investment Committee. Prior to any formal recommendation, LGS' sustainability staff will review offer documents and presentations and will usually hold interviews with the underlying manager. LGS internal sustainability staff will also prepare a note for the LGS Investment Committee for any strategy put forward for recommendation. LGS' internal staff are in regular contact with the asset consultant on potential investments. We have declined several of these in recent years due to ESG issues. Less commonly external managers contact LGS directly to discuss their product. LGS encourages managers to approach LGS directly, especially if they have a strong ESG thematic - such as renewable energy or an impact investment. From there the strategy can be forwarded to the asset consultant for review as per their standard process. All investments must be reviewed by the asset consultant to ensure they have acceptable and well understood risk return characteristics for the asset class.

Appointment

SAM 11	Voluntary	Additional Assessed	PRI 4
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SAM 11.1

When appointing managers, indicate which of the following responsible investment considerations your organisation typically includes in agreements/fund formation contracts for your non-listed assets:

General

	PE	PR	INF
Acting in accordance with your organisation's overall investment beliefs or policy on responsible investment and ESG issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other general RI considerations in your agreements, specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment selection (pre-investment) of underlying holding

	PE	PR	INF
Specific requirements relating to how ESG issues are identified and managed in investment decision-making	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other RI considerations relating to investment selection in your agreements, specify	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment monitoring (post-investment) of underlying holding

	PE	PR	INF
Specific requirements relating to the manager supporting or influencing the underlying holdings' management of ESG factors	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other RI considerations relating to investment monitoring in your agreements, specify	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Reporting

	PE	PR	INF
Reporting on the agreed ESG implementation activities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reporting on the ESG characteristics of the portfolio	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reporting on company incidents relating to ESG issues	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reporting on the impact of ESG issues on financial performance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other RI considerations relating to reporting in your agreements, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SAM 11.2

Provide additional information relevant to your organisation's manager appointment process and considerations included in contractual agreements for non-listed assets.

In the private asset classes of private equity and infrastructure, LGS employs specialist external asset consultant, Quentin Ayers, along with our main asset consultant, JANA to recommend and monitor external manager and strategies. So the questions asked in SAM 11 are not directly appropriate. However LGS has ticked many of the boxes for private equity and infrastructure on the following basis. In the consulting agreements with both these advisers, they must consider ESG and RI issues with all recommendations provided to LGS, including manager selection. In addition, the latest agreement with the specialist private equity consultant also extends LGS's negative screen exclusions (0% revenue from controversial weapons and tobacco, 10% or more revenue from armaments, gambling and old growth forests and 33% or more from carbon intensive activities in addition to companies with a high Environmental Social and Governance (ESG) risk profile who exhibit poor management of these risks) and requires detailed ESG monitoring and reporting on the underlying strategies. The consultant is complying with these ESG requirements in strategies recommended to LGS.

Monitoring

SAM 12

Mandatory

Core Assessed

PRI 1-6

SAM 12.1

Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager, typically do any of the following:

General

	PE	PR	INF
Include responsible investment as a standard agenda item at performance review meetings	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Highlight examples of good responsible investment practice by other managers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Review manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Encourage your managers to consider joining responsible investment initiatives or organisations or participate in collaborative projects with other investors	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Request information on whether your manager's approach to ESG issues has impacted financial performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Request information on whether your manager's approach to ESG issues has impacted ESG performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other general aspects of your monitoring, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment selection (pre-investment) of underlying holding

	PE	PR	INF
Discuss how the analysis of ESG issues affected investment decisions during the reporting period	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other ways ESG issues are incorporated in the pre-investment process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Investment monitoring (post-investment) of underlying holding

	PE	PR	INF
Request reports on the ESG characteristics of the manager's underlying holdings and discuss related developments that may impact holdings in the fund	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Request examples of ESG issues identified within the portfolio and action taken in response	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Request details of how ESG factors were considered when preparing to exit from investments	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other ways ESG issues are monitored in the post-investment process, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SAM 12.2

Provide additional information relevant to your organisation's dialogue and monitoring of external managers. [Optional]

In addition to the comments in SAM 11, LGS' specialist private equity asset consultant is now required to specifically report on ESG issues or developments in the underlying strategies as part of its regular written reports. The consultant will review the managers' underlying SRI/ESG policies as well as requiring the manager to inform whether there have been any material ESG issues in the underlying portfolio holdings during the reporting period. The consultant also highlights underlying investments in various manager strategies that have positive ESG attributes. This is often part of the quarterly in-person ESG meetings that LGS holds with the consultant. Independent of the consultant, LGS reviews the consultants' ESG report and also scans portfolio holdings for potential for any adverse ESG risks. LGS sustainability staff are always invited and present at any face-to-face meetings with an underlying manager. ESG issues are always raised in these meetings. In recent years LGS has rejected several proposed strategies forwarded by the consultant due to ESG issues.

Other asset classes

SAM 13

Voluntary

Descriptive

PRI 1-6

SAM 13.1

Describe how your organisation, and/or your investment consultants, address responsible investment factors in manager selection, appointment and/or monitoring process for the following asset classes:

Asset Class	Description
Private debt	Refer to 13.2
Commodities	Refer to 13.2
Hedge funds	Refer to 13.2

SAM 13.2	Additional information.
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As per Section SAM 01, LGS' SRI policy covers all asset classes. As such evaluation of RI and ESG issues for new and existing mandates and managers are expected across all new mandates as well as for existing asset class reviews. The extent of the involvement of the RI and ESG teams is determined by the LGS Carbon and ESG Risk Framework which is an internal tool which aims to assess the extent of ESG risk in asset classes along with the desired risk return objectives (such as extent of active management) for the asset class. The output of this asset class assessment from the ESG and Carbon Framework then drives the extent and influence of the RI and ESG factors in new and ongoing mandates (i.e. where it is assessed that there is low ESG risks such as cash there is minimal oversight from LGS' internal ESG staff and vice versa). Typically, in these asset classes, all new managers and mandates must be reviewed and recommended by LGS' external asset consultant. The most common approach is that the asset consultant shortlists 2-3 preferred managers and LGS will then conduct its own ESG assessment of these managers (LGS requires that the asset consultant will have done some analysis of the ESG capabilities of the shortlisted manager). As per the asset classes named in SMA 13, LGS' ESG assessment in fixed income - other; commodities and hedge funds has been quite basic and high level. LGS' ESG review of private debt has been more detailed.

Outputs and outcomes

SAM 14	Mandatory to Report Voluntary to Disclose	Descriptive	PRI 1-6
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SAM 14.1	Indicate approximately what percentage (+/- 10%) of your externally managed assets are managed by PRI signatories.
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	%
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10

SAM 15	Voluntary	Descriptive	PRI 2
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SAM 15.1	Provide examples of how ESG issues have been addressed in the manager selection, appointment and/or monitoring process for your organisation during the reporting year.
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☒ Add Example 1

Topic or issue	ESG rating/evaluation of all new investment proposals
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input type="checkbox"/> All asset classes <input checked="" type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – corporate bonds <input type="checkbox"/> Fixed income – government bonds <input type="checkbox"/> Private equity <input type="checkbox"/> Infrastructure <input type="checkbox"/> Property <input type="checkbox"/> Private debt <input type="checkbox"/> Commodities <input type="checkbox"/> Hedge funds
Scope and process	To ensure ESG is integrated into LGS investment options across listed equities, private equity and fixed income - corporate asset classes, the Head of Sustainability engages with potential fund managers early in the investment process. This engagement includes assessing ESG capabilities of the fund manager and running screens on example portfolios to ensure compliance with LGS's SRI Policy. Following this engagement, the Head of Sustainability will provide a recommendation to the LGS Investment Committee advising of the potential manager's suitability for LGS.
Outcomes	

- ☐ Add Example 2
- ☐ Add Example 3
- ☐ Add Example 4
- ☐ Add Example 5

Communication

SAM 16	Mandatory	Core Assessed	PRI 6
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SAM 16.1

Indicate if your organisation proactively discloses any information about responsible investment considerations in your indirect investments.

- ☒ Yes, we disclose information publicly

provide URL

<http://www.lgsuper.com.au/investments/sustainability.asp>

provide URL

<http://www.lgsuper.com.au/investments/SRIpolicies.asp>

SAM 16.2

Indicate if the level of information you disclose to the public is the same as that disclosed to clients and/or beneficiaries.

☒ Yes

SAM 16.3

Indicate what type of information your organisation proactively discloses to the public and clients and/or beneficiaries about your indirect investments.

- ☒ How responsible investment considerations are included in manager selection, appointment and monitoring processes
- ☒ Details of the responsible investment activities carried out by managers on your behalf
- ☐ E, S and/or G impacts and outcomes that have resulted from your managers' investments and active ownership
- ☐ Other, specify

☐ No

☐ Yes, we disclose information to clients/beneficiaries only

☐ We do not proactively disclose information to the public and/or clients/beneficiaries

SAM 16.4

Additional information. [Optional]

LGS Members also receive updates on responsible investment issues via the LGS Annual Report and member newsletters. The LGS website <http://www.lgsuper.com.au/investments/sustainability.asp> and <http://www.lgsuper.com.au/investments/SRIpolicies.asp> contains significant amount of information of LGS' responsible investment approach and performance. Specifically, we have posted: -

- LGS SRI Policy and the LGS Direct Property Environmental Sustainability Policy;
- Full proxy voting history for Australian and international listed investments before company meetings;
- LGS survey response to climate change surveys run by the Asset Owner Disclosure Project and the Global Investor Coalition on Climate Change;
- LGS' responses to the 2010 and 2011 UNPRI Surveys along with a summary of our performance
- LGS' ASX and international proxy voting activity and engagement reports from our service providers ACSI and Regnan;
- LGS' feature in UNPRI case studies on thematic investments;
- Investment papers on LGS Sustainable Global Government Bond mandate and Carbon and ESG portfolio audits; and
- Extensive reporting on the environmental performance of LGS' property portfolio.

Local Government Superannuation Scheme

Reported Information

Public version

Direct - Listed Equity Incorporation

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

LEI 01	Mandatory to Report Voluntary to Disclose	Gateway/Peering	PRI 1
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LEI 01.1

Provide a breakdown of your internally managed listed equities by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your internally managed listed equities, indicate if you would still like to report your activities.

Strategies

- ☐ Passive
- ☐ Active – quantitative (quant)
- ☒ Active – fundamental and other active strategies

% of internally managed listed equities

- ☐ <10%
- ☐ 10-50%
- ☒ >50%

LEI 01.2

Additional information. [Optional]

All information in this Listed Equity Incorporation module, relates to one listed equity strategy managed internally by LGS - the 'LGS SRI Overlay'. This is a fundamental and active strategy applied across both listed Australian and international equity classes. Combined, these SRI Overlay strategies represent less than 1% of LGS' total investment funds. However, LGS decided to complete this PRI Assessment module as the LGS SRI Overlay has been an innovative process that has been successfully implemented and positively contributing to our returns since 2004.

LEI 02	Voluntary	Descriptive	PRI 1
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LEI 02.1

Provide a brief overview of how you incorporate ESG issues into listed equity investments.

SRI Overlay - The Trustee has determined that the Scheme will not make investments in companies that derive any revenue from:

- Controversial weapons;
- Tobacco.

The Trustee has also determined that the Scheme will not make investments in companies that derive more than 10% of their revenues in the following areas of activity:

- Armaments;
- Gambling;
- Old growth logging.

Following a review to our negative screens in 2014, the Scheme will also not make investments in companies that derive more than 33% of their revenues from carbon intensive activities including:

- Coal mining
- Coal fired electricity generation; and
- Oil tar sands.

The LGS Trustee may also permit the exclusion of companies with a high Environmental Social and Governance (ESG) risk profile and exhibiting poor management of these risks. Companies excluded under this screen may come from any industry sector.

This policy has been in place for the LGS Australian equities portfolio since 2004 and in 2011, was expanded to cover our international equities portfolio. In implementing the SRI Overlay where possible, agreements with external investment managers will specify that companies in these restricted industries must be avoided. Where it is not possible for managers to do this, LGS will aim to eliminate the exposure to these activities by our internal investment team 'shorting' the same number of securities. These shorted companies are then ideally replaced by investments in companies that are rated highly on ESG issues and are from similar sectors, size and geography as the companies that are excluded. To ensure an objective risk focussed process, LGS uses the services of dedicated external ESG research providers to determine which companies pose the greatest ESG risk. LGS receives ongoing research from these sources and updates its list of company exclusions and additions on a regular basis. LGS believes that the SRI Overlay is entirely consistent and fundamental to our role as long term future looking universal owner fiduciaries. As such the long term prosperity of the economy and the wellbeing of LGS members depend on a healthy environment, social cohesion and good governance of LGS and the companies in which it invests.

The SRI Overlay was implemented as LGS believes both that these activities can create investment risks which need to be monitored and managed and also to create alignment with our members' interests. As at 31 December 2014, the SRI Overlay on Australian listed equities has contributed a positive 0.1% pa since its inception in August 2004. For international equities, the SRI Overlay has positively contributed 0.04% pa from 2011 through to 31 December 2014. LGS Trustee maintains regular performance oversight and reporting of the SRI Overlay. LGS has applied investment constraints to the operation of the SRI Overlay to ensure that investment performance is not adversely impacted during periods of excessive short-term market volatility. This may result in excluded company 'shorts' being lifted, before being reapplied once market conditions settle.

ESG incorporation in actively managed listed equities

Implementation processes

LEI 03	Mandatory	Gateway/Core Assessed	PRI 1
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LEI 03.1	Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies.
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ESG incorporation strategy (select all that apply)

- ☐ Screening alone (i.e. not combined with any other strategies)
- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☐ Integration alone (i.e. not combined with any other strategies)
- ☐ Screening + Integration strategies
- ☐ Thematic + integration strategies
- ☐ Screening + thematic strategies
- ☒ All three strategies combined

Percentage of actively managed listed equities to which each strategy or combination of strategies is applied - you may (estimate +/- 10%)	<div> <div></div> <div>%</div> </div> 100
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- ☐ No incorporation strategies applied

Total actively managed listed equities

100%

LEI 03.2

Describe your primary reasons for choosing a particular ESG incorporation strategy.

As per our response in LEI 02, the LGS SRI Overlay is a negative screen with any replacement companies having higher ESG ratings and characteristics as well as being from a similar size, geography and industry sector. So LGS' approach to internally managed listed equities involves mainly negative screens as well as some high level 'ESG integration' as well as some exposure to 'thematic' strategies (though most of LGS thematics are done via external manager mandates). For our internally managed funds, LGS prefers the SRI Overlay process, relying largely on negative screens, for the following reasons:

- LGS has a small internal investment team. It is important to keep the SRI Overlay as simple as possible. The use of external ESG research for determining excluded and replacement companies makes this an objective process.
- LGS expects much more explicit and detailed integration from our external mandates. LGS also has specific mandate with low carbon/environmental services thematic managers. We also undertake significant engagement with companies on ESG issues primarily via our external service providers.
- LGS aims to be long-term future-looking universal owner. As such, the long-term prosperity of the economy and the wellbeing of LGS members depend on a healthy environment, social cohesion and good governance of LGS and the companies in which it invests. Screening out exposure to activities such as tobacco, with its huge negative health externalities, helps facilitate better environmental, social and investment conditions from which our managers can make investment decisions
- LGS believes that the sectors that we have excluded are facing increasing amounts of legislation and taxation that will impact the future profitability of these businesses. They also face complex stakeholder engagement and licence to operate issues. All these factors indicate that these sectors are facing additional structural headwinds that could impact the ability to create long-term shareholder value. LGS' ability to get positive investment contribution from our SRI Overlay process confirms our concerns on these investment risks.

LGS aims to align itself with our members - the 90,000 current and former members of local councils in NSW, Australia, many of whom undertake grass roots environmental and social work. LGS believes that having explicit negative screens is a more powerful means than say just ESG integration and engagement strategies alone to demonstrate our commitment to responsible investment; and to communicate that we hold values that are aligned with our members.

LEI 03.3

Where assets are managed using a combination of ESG incorporation strategies, briefly describe how these combinations are used. [Optional]

Please refer our response to LEI02.

LEI 04

Voluntary

Additional Assessed

PRI 1

LEI 04.1

Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.

Type of ESG information

☒ Raw ESG company data

Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☐ In-house – analyst or portfolio manager
- ☒ Company-related analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Sector-related analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☐ In-house – analyst or portfolio manager
- ☐ Country-related analysis or ratings
- ☒ Screened stock list

Indicate who provides this information

- ☒ ESG research provider
- ☐ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☐ In-house – analyst or portfolio manager
- ☒ ESG issue-specific analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☐ In-house – analyst or portfolio manager
- ☐ Other, specify

LEI 04.2	Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.
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LGS subscribes to external ESG research (Regnan and ACSI for ASX equities and MSCI ESG Research for Australian and International equities) to ensure there is an objective approach taken with the choice of excluded and replaced companies in the LGS SRI Overlay. LGS' internal sustainability staff are situated within the LGS investment team. The sustainability staff are responsible for monitoring ESG and responsible investment issues from a macro, across-all-asset-classes perspective, as well as how they impact individual companies and projects. LGS sources all forms of ESG research in Australia and globally for this purpose, with research from ESG research houses, sell side stock brokers, fund managers, NGO's and media releases.

LEI 04.3	Indicate if you incentivise brokers to provide ESG research.
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☒ Yes

LEI 04.4	Describe how you incentivise brokers.
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The LGS SRI Overlay uses prime brokerage accounts for both ASX and international equities. This means that LGS can 'tag' or direct brokerage to the specific analyst in these broker houses that are producing ESG research. LGS has tagged research on its ASX companies to the ESG analyst. LGS also motivates brokers by reading their research and attending their events.

☐ No

LEI 05	Voluntary	Additional Assessed	PRI 1
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LEI 05.1	Indicate if your organisation has a process through which information derived from ESG engagement and/or (proxy) voting activities is made available for use in investment decision-making.
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☒ Engagement

- ☐ We have a systematic process to ensure the information is made available.
- ☐ We occasionally make this information available.
- ☒ We do not make this information available.

☒ (Proxy) voting

- ☐ We have a systematic process to ensure the information is made available.
- ☐ We occasionally make this information available.
- ☒ We do not make this information available.

LEI 05.2	Additional information. [Optional]
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LGS undertakes extensive proxy voting and engagement across our listed equities. This involves sourcing external research from providers (e.g. ACSI and Regnan) whose inputs are then implemented according to LGS SRI Policy. However, for the internally managed LGS SRI Overlay process, we rely solely on the ESG scores and ratings currently sourced via MSCI ESG research to determine excluded or replacement companies. This ensures an objective and transparent approach which is considered essential given LGS' small internal investment team. These research houses do have sophisticated processes for ESG research and rating of companies which may include engagement and proxy voting outcomes.

(A) Implementation: Screening

LEI 06	Mandatory	Descriptive	PRI 1
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LEI 06.1

Indicate and describe the type of screening you apply to your internally managed active listed equities.

Type of screening

- ☒ Negative/exclusionary screening

Screened by

- ☐ Product
- ☒ Activity
- ☐ Sector
- ☐ Country/geographic region
- ☒ Environmental and social practices and performance
- ☒ Corporate governance

Description

LGS SRI Overlay

The LGS SRI Overlay has the following activities and ESG risk screens. Note that LGS internally managed portfolio emanates from shorting out these activities and high ESG risk companies from mandates with external managers that are in commingled pools. The Trustee has determined that the Scheme will not make investments in companies that derive any revenue from:

- Controversial weapons;
- Tobacco.

The Trustee has also determined that the Scheme will not make investments in companies that derive more than 10% of their revenues in the following areas of activity:

- Armaments;
- Gambling;
- Old growth logging.

Following a review to our negative screens in 2014, the Scheme will also not make investments in companies that derive more than 33% of their revenues from carbon intensive activities including:

- Coal mining
- Coal fired electricity generation; and
- Oil tar sands.

The LGS Trustee may also permit the exclusion of companies with a high Environmental Social and Governance (ESG) risk profile and exhibiting poor management of these risks. Companies excluded under this screen may come from any industry sector.

- ☒ Positive/best-in-class screening

Screened by

- ☐ Product
- ☒ Activity
- ☒ Sector
- ☒ Country/geographic region
- ☒ Environmental and social practices and performance
- ☒ Corporate governance

	Description
	As per the LGS SRI Overlay, when LGS divests of companies within our negative screen criteria by shorting, they are then ideally replaced by investments in companies that are rated highly on ESG issues and are from similar sectors, size and geography as the companies that were excluded. LGS uses external ESG research to determine these companies.

- ☒ Norms-based screening

Screened by

- ☒ UN Global Compact Principles
- ☒ Universal Declaration of Human Rights
- ☒ International Labour Organization Conventions
- ☐ United Nations Convention Against Corruption
- ☐ OECD Guidelines for Multinational Enterprises
- ☐ Other, specify

	Description
	LGS' negative screen for companies with high ESG risk is determined by MSCI ESG Research "ESG Impact Monitor" product. This assesses companies against 18 International Conventions and Norms.

LEI 06.2	Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.
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LGS' current set of negative screens in the LGS SRI Overlay were established by the LGS Investment Committee in 2014, following a lengthy review of the original screens developed in 2004. The review of the screening criteria involved several facets:

- The amount of the revenue threshold for excluded criteria;
- Wording of the screens to ensure transparency and clarity;
- Review of the appropriateness of the existing screens; and
- Recommendation for any new screening criteria.

The review was undertaken with detailed paper(s) by internal LGS sustainability and investment staff using external ESG research and in dialogue with our existing managers along with ongoing review by the LGS Investment Committee. Factors that have been important in the review are:

- The number of companies that are excluded under a screen and the cumulative market capitalisations of the excluded companies. Risk and tracking error considerations are paramount
- Reviewing of ESG macro trends that might be creating new opportunities or altering valuations across industries
- LGS' acceptance that climate change represents the largest ESG risk for our members' long-term returns
- The values of LGS members (as expressed by the current screens);

- LGS commits to regularly communicate the sustainability strategy to our members via: a commentary in the Annual Report; updates in the member newsletters; making information available on the LGS website.

LEI 07	Mandatory	Core Assessed	PRI 1
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LEI 07.1 Indicate which processes your organisation uses to ensure that screening is based on robust analysis.

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- ☐ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- ☒ Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies
- ☐ A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- ☒ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

LEI 08	Voluntary	Additional Assessed	PRI 1
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LEI 08.1 Indicate which processes your organisation uses to ensure that fund criteria are not breached

- ☒ Checks are performed to ensure that stocks meet the funds' screening criteria. These checks are:
 - ☒ Systematic
 - ☐ Occasional
- ☒ Automated IT systems prevent investment managers from investing in excluded stocks or those that do not meet positive screening criteria.
- ☒ Audits of fund holdings are undertaken regularly by internal audit function
- ☐ Other, specify
- ☐ None of the above

LEI 08.2 If breaches of fund screening criteria are identified - describe the process followed to correct those breaches.

The internally managed portfolio of companies in the LGS SRI Overlay are the positive ESG replacement companies that are the direct outcome of the process of shorting excluded companies. It is relatively small in size and number of companies and compliance is straightforward. It is more important for LGS to review the portfolios of our external managers to ensure there have been no breaches of the LGS SRI policy. This is done by ensuring the managers have the capacity to manage to LGS negative screen criteria and producing LGS own internal list of excluded companies. This is required under our Investment Management Agreements.

(B) Implementation: Thematic

LEI 09	Mandatory	Descriptive	PRI 1
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LEI 09.1 Indicate the type of sustainability thematic funds or mandates that your organisation manages.

- ☐ Environmentally themed funds
- ☐ Socially themed funds
- ☒ Combination of themes

LEI 09.2 Describe your organisation's processes for sustainability themed funds. [Optional]

LGS has invested in environmental and social themed funds in five asset classes to date (listed equities, FIG, hedge funds, infrastructure and private equity). However, these are all in mandates outsourced to external managers. These are discussed in a separate module. For the internally managed LGS SRI Overlay portfolio, replacement companies are selected that have high ESG ratings from similar countries, size and sectors as the companies excluded under the negative screen. In some circumstances these high ESG ratings can be due to the company having significant revenue or asset exposure to environmentally themed services and products.

The fund's environmental and social themed investments must meet all standard return and diligence thresholds, there is no question of trading off environmental or social return against financial return. Overall, LGS' environmental themed investments are fulfilling their investment objectives and have performed satisfactorily, but as with all active strategies, some have performed better than others.

LGS uses a framework to analyse the relevance and significance of ESG risks to different asset classes and to determine which responsible investment strategy to adopt to respond to them.

While the overall investment strategy is determined inhouse by LGS, external managers undertake on-going stock selection and portfolio management.

(C) Implementation: Integration of ESG issues

LEI 10	Voluntary	Descriptive	PRI 1
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LEI 10.1 Describe how you integrate ESG factors into investment decision making processes.

LGS primarily employs external managers to undertake day-to-day portfolio management and investment decisions. In previous sections we have discussed the ESG incorporation process in the LGS SRI Overlay. The only avenue left for asset owners to incorporate ESG is via voting and engagement (addressed in a separate module) and in strategic asset allocation (SAA) decisions. In regards SAA, LGS has discussed in a separate module its efforts to incorporate climate change into our SAA process during 2013. LGS has also developed an ESG and Carbon Risk Framework to gauge and communicate the extent of ESG risks in each asset class which then in turn helps determine the approaches to ESG incorporation in various asset classes.

LEI 11	Mandatory	Core Assessed	PRI 1
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LEI 11.1 Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.

ESG issues	Coverage/extent of review on these issues
Environmental	<input type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

LEI 11.2 Additional information. [Optional]

This question is not applicable for LGS given the small funds under management that we internally manage via the SRI Overlay. LGS expects detailed levels of ESG integration from our external managers who manage the bulk of the listed equities assets.

LEI 12	Voluntary	Additional Assessed	PRI 1
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LEI 12.1 Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- ☐ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Company information and/or ratings on ESG are updated regularly
- ☒ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

LEI 12.2 Describe how ESG information is held and used by your portfolio managers.

- ☒ ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ☒ ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- ☐ Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- ☐ Other, specify
- ☐ None of the above

LEI 12.3

Additional information.

This question is not applicable for LGS given the small funds under management that we internally manage via the SRI Overlay. LGS expects detailed levels of ESG integration from our external managers who manage the bulk of the listed equities assets.

LEI 13**Mandatory to Report Voluntary to Disclose****Core Assessed****PRI 1****LEI 13.1**

Indicate into which aspects of investment analysis you integrate ESG information.

- ☒ (Macro) economic analysis
 - ☐ Systematically
 - ☒ Occasionally
- ☒ Industry analysis
 - ☐ Systematically
 - ☒ Occasionally
- ☐ Analysis of company strategy and quality of management
- ☒ Idea generation
 - ☒ Systematically
 - ☐ Occasionally
- ☐ Portfolio construction
- ☐ Fair value/fundamental analysis
- ☐ Other, specify

LEI 13.3

Additional information.

This question is not appropriate for LGS given the small funds under management that we internally manage via the SRI Overlay. LGS expects detailed levels of ESG integration from our external managers who manage the bulk of the listed equities assets.

Outputs and outcomes

LEI 15**Voluntary****Descriptive****PRI 1****LEI 15.1**

Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.

- ☒ Screening

Describe any reduction in your starting investment universe or other effects.

The impact of LGS' SRI Overlay on ASX universe is small, approximately 1% of the benchmark by market cap is excluded from investment. The impact of LGS' for the international index benchmark MSCI World ex Australia is more significant with approximately 7% of the index removed.

☒ Thematic

Describe any alteration to your investment universe or other effects.

In international equities, LGS has a 5% allocation to a specialist environmental themed manager, Impax.

☒ Integration of ESG issues

Select which of these effects followed your ESG integration:

☒ Reduce or prioritise the investment universe

☐ Overweight/underweight at sector level

☐ Overweight/underweight at stock level

☐ Buy/sell decisions

☒ Other, specify

Slightly higher exposure to mid and smaller cap companies and lower carbon emissions.

☐ None of the above

LEI 15.2

Additional information.

LGS considers climate change to be the most significant ESG risk impacting our members' long-term returns. We aim to continue to develop a form of hedge or response across all asset classes to the complex series of risks that we see emerging from climate change. Many of these strategies have been detailed throughout our PRI survey response. In LGS' response to the 2014 Asset Owner Disclosure Project AODP survey (available <http://www.lgsuper.com.au/investments/SRIpolicies.asp>), LGS calculated our exposure to high carbon sectors within our listed equities as at 30 June 2014 as follows Asset Class LGS Portfolio Benchmark Domestic Equities - 18.6% (26 companies) (compared to industry benchmark ASX200 of 21.5% and 45 companies). International Equities - 9.1% (206 companies) (compared to industry benchmark against MSCI World of 15.8% and 227 companies). As there is no industry standard as yet as to what constitutes a 'high' or 'low' carbon asset, LGS used their exposure to a variety of sub 'GIC's sectors in the energy, materials and industrials sectors. LGS attributes that our lower exposure to high carbon assets is a direct result of our efforts to try develop a response to climate change risk. Specifically in listed equities, the lower carbon exposure is due to:

- In listed international equities, LGS has a 5% allocation to a specialist environmental themed manager, Impax.
- LGS moved from passive to enhanced passive core strategies in both our Australian and international listed equities portfolios.

LEI 16

Voluntary

Additional Assessed

PRI 1

LEI 16.1

Indicate whether your organisation measures how your approach to ESG issues in Listed Equity investments has affected financial and/or ESG performance.

☒ We measure whether our approach to ESG issues impacts funds' financial performance

Describe the impact on:	Impact	Strategies considered
Funds' financial performance	<input checked="" type="radio"/> Positive <input type="radio"/> Negative <input type="radio"/> No impact	<input checked="" type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input checked="" type="checkbox"/> Thematic

☒ We measure whether our approach to ESG issues impacts funds' risk or volatility

Describe the impact on:	Impact	Strategies considered
Funds' risk or volatility	<input checked="" type="radio"/> Reduced risk or volatility <input type="radio"/> Increased risk or volatility <input type="radio"/> No impact	<input checked="" type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input checked="" type="checkbox"/> Thematic

☒ We measure whether our approach to ESG issues impacts funds' ESG performance

Describe the impact on:	Impact	Strategies considered
Funds' ESG performance	<input checked="" type="radio"/> Positive <input type="radio"/> Negative <input type="radio"/> No impact	<input checked="" type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input checked="" type="checkbox"/> Thematic

☐ None of the above

LEI 16.2

Describe how you are able to determine these outcomes.

Re a) Impact on funds financial performance:

Screening - The LGS SRI Overlay process has provided a positive contribution to LGS' returns adding 10bps pa since 2004 in Australian equities and 4 bps pa since 2011 in international equities to the fund's overall performance. Following the introduction of the new carbon sensitive screen we examined portfolio volatility implications, with results showing a positive performance outcome for LGS.

ESG integration - we have found that managers that integrate ESG well have outperformed their benchmarks over the last year - examples include both fundamental active management type strategies along with the ESG embedded enhanced passive quantitative international equities strategies. However, many factors outside of ESG are important to achieving outperformance of the benchmark - choosing the right manager is critical.

Re b) Reduced funds' risk or volatility:

Screening - Given that our internally managed listed equity FUM is very small relative to the entire listed equities portfolio, LGS has not done a lot of research on volatility. However, the SRI Overlay performed very strongly and lowered volatility during the GFC of 2008. This example of outperformance when markets are poor and highly volatile is an indicator of reduced fund risk.

Thematic - the allocation to a specialist environmental themed fund investing in smaller or mid cap companies necessarily does increase fund volatility. This is the same outcome as allocating funds to any sort of active style mandate - such as small caps, value etc. The volatility is managed by looking at international equities portfolio as whole and allocating only a small percentage to the active higher volatility strategies including thematic.

ESG integration - LGS has not done detailed work on ESG integration and volatility across the entire portfolio, however, in those strategies that are trying to capture market beta in Australian and international equities (such as ESG embedded enhanced passive quantitative international equities) we are not noticing increased volatility and the mandate is staying within its risk constraints.

Re c) Improved funds' ESG performance:

Screening/thematic/ESG integration - LGS undertakes 6 monthly ESG and Carbon portfolio audits of our entire Australia and international equities managers. An example is located at

<http://www.lgsuper.com.au/investments/SRIpolicies.asp>. These audits show that LGS has better ESG and Carbon rated portfolios.

LEI 17	Voluntary	Descriptive	PRI 1
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LEI 17.1	Provide examples of ESG issues that affected your investment view and/or performance during the reporting year.
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☒ ESG issue 1

	ESG issue and explanation
<p>This question is not applicable for LGS given the small funds under management that we directly internally manage. This internally managed portfolio of companies arises as replacement stocks from our exclusions (companies with > 10% of their revenues in: Armaments, Gambling, Old Growth Logging and Tobacco and companies with >33% of their revenues in carbon intensive activities including coal mining, coal fired electricity generation and oil tar sands. The LGS Trustee may also permit the exclusion of companies exhibiting high levels of ESG risks and poor management of these risks).</p>	
	ESG incorporation strategy applied
<p><input type="checkbox"/> Screening</p> <p><input type="checkbox"/> Thematic</p> <p><input type="checkbox"/> Integration</p> <p><input checked="" type="checkbox"/> Combination of ESG incorporation strategies</p>	
	Impact on investment decision or performance
<p>The LGS SRI Overlay process has provided a positive contribution to LGS' returns adding 10bps pa since 2004 in Australian equities and 4 bps pa since 2011 in international equities to the fund's overall performance.</p>	

☒ ESG issue 2

	ESG issue and explanation
<p>Outside of the LGS SRI Overlay, we expect our external manager mandates to recognise and avoid companies that are part of our negative screens. LGS also requires managers to provide company case study reporting on examples of how ESG issues impacted the buy, hold and sell decisions.</p>	
	ESG incorporation strategy applied
<p><input type="checkbox"/> Screening</p> <p><input type="checkbox"/> Thematic</p> <p><input type="checkbox"/> Integration</p> <p><input type="checkbox"/> Combination of ESG incorporation strategies</p>	
	Impact on investment decision or performance
<p>Not always easy to attribute relative out or underperformance specifically to ESG.</p>	

☐ ESG issue 3
☐ ESG issue 4
☐ ESG issue 5

Communication

LEI 18	Mandatory	Core Assessed	PRI 2,6
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LEI 18.1	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.
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☒ We disclose it publicly

	Provide URL
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<http://www.lgsuper.com.au/investments/SRIpolicies.asp>

LEI 18.2	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
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☒ Yes

LEI 18.3	Indicate the information your organisation proactively discloses to clients/ beneficiaries and the public regarding your approach to ESG incorporation.
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☐ Broad approach to ESG incorporation

☒ Detailed explanation of ESG incorporation strategy used

LEI 18.4

Indicate how frequently you typically report this information.

- ☐ Quarterly or more frequently
- ☒ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify
- ☐ No
- ☐ We disclose it to clients and/or beneficiaries only
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries

LEI 18.7

Additional information. [Optional]

LGS' website features significant amount of reporting on ESG issues performance across multiple asset classes. LGS members receive additional report on ESG and responsible investment issues via newsletters, mail outs and seminars. However LGS members do not receive much additional ESG information compared to the general public - the exception being if LGS members initiate the contact with LGS re responsible investment issues. They will receive a more detailed response than a non-member that contacts LGS.

Local Government Superannuation Scheme

Reported Information

Public version

Direct - Listed Equity Active Ownership

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Engagement

Overview

LEA 01	Voluntary	Descriptive	PRI 2
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LEA 01.1	Provide a brief overview of your organisation's approach to engagement.
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As a universal asset owner focusing on our members' long term retirement savings needs, LGS believes that engagement with companies and our fund managers along with advocacy on policy issues is one of the tools that we can employ to address ESG issues which may represent investment risks. The bulk of LGS' engagement activities are done via industry group collaboration, with some limited engagement conducted directly by LGS with companies. LGS' engagement activities are best characterised in the following 3 ways.

1. Collaborative engagement via specialist active ownership groups:

- Engagement with ASX300 companies on a range of ESG investment risks is undertaken through membership the Australian Council of Superannuation Investors (ACSI). ACSI is a collaborative membership organization of 34 funds, who invest over AUD\$1.6trillion in assets under management. Engagement is typically undertaken in person by ACSI's analysts directly with the boards of ASX300 companies. In 2014, ACSI had engagements with 212 companies. LGS is very active and has devoted considerable resources as a full member of ACSI. In 2013 an LGS employee became a director on new ACSI Ltd board as part of ACSI governance restructure. LGS was also a member of the subcommittee that reviewed "The Guide for Superannuation Trustees" on corporate governance standards and proxy voting guidelines with respect to investments in ASX companies. LGS also provides insights for ACSI research pieces and is an active subscriber to ACSI Australian and International proxy voting services. For the purposes of reporting, ACSI is categorised as a Service Provider; that is, an 'Investor organization[s] that conduct engagement on their members' behalf and which have an explicit mandate from their members to represent them'.
- LGS is a founding shareholder, client and Director of Regnan Governance Research and Engagement Ltd (Regnan). Regnan's owner / clients collectively fostered the establishment of Regnan as a specialist engagement service to:benefit from specilised skills both in ESG aspects and in the practice of engagement for change.
- provide access to and influence with relevant decision makers in corporations and elsewhere.
- maximise the impact of the resources each client contributes.
- be efficient in the achievement of shared objectives - a benefit for investee companies also given they face increasing requests from shareholders for dialogue. Via Regnan companies can reach reach a large proportion of shareholders who prioritise ESG issues through a single interface.
-

2. Involvement in other ESG/RI Industry groups:

In addition to our involvement in ACSI and Regnan, LGS has also devoted time and resources with involvement with other responsible investment industry groups whose missions are broader than pure engagement and advocacy. Nevertheless their activities do provide a collective voice on the importance of ESG and RI issues and complement those of the specialist engagement groups. LGS' participation in these industry groups also helps satisfy the requirement of UNPRI Principle 5 "To collaborate with organisations to enhance effectiveness". These groups include:

- UN Principles for Responsible Investment - LGS has been actively involved in the following UNPRI working groups:Climate Change Strategy Project
- International committee member for establishing the guidelines on the business case for sustainability in commercial buildings

- In October 2013 the PRI published a case study on LGS and our approach to applying social and environmental thematic investments without our investment portfolio
- UNPRI Reporting and Assessment Steering Group dedicated to designing new reporting standards for UNPRI signatories
- ESG and Executive Pay working group (which produced the Integrating ESG issues into Executive Pay paper dated June 2012);
- Cluster munitions divestment investor group;
- The Private equity disclosure project working group (which released the paper Environmental, Social, and Corporate, Governance (ESG) Disclosure Framework for Private Equity, March 2013)
- Sustainable Fisheries Investor Working group;
- Vedanta Plc. engagement group
- Other initiatives that use UNPRI resources and secretariat which LGS has supported includes the Forest Roundtable for Sustainable Palm Oil and the Access to Nutrition Index Climate Change related industry group activities
-
- Investor Group on Climate Change - LGS is a member of the Management Committee (board) of the IGCC and is also a member of the IGCC Low Carbon Finance Working Group.
- Global Investor Coalition on Climate Change (GIC) - LGS is involved in the GIC via our Management Committee status on the Investor Group on Climate Change. LGS was also profiled a case study in the 2013 Global Climate Change Investor Survey
- Asian Investor Group on Climate Change (AIGCC) - LGS is an "international supporter member" of AIGCC
- Investor Network on Climate Risk - LGS is part of an international coalition of 70 investors that are engaging with 40 of the world's largest coal, oil and gas companies on the area of climate change risks notably the concepts of 'unburnable carbon' and stranded assets.
- Carbon Disclosure Project - LGS is a signatory to the CDP Carbon Programme, Water Program and Forest Program
- Other ESG/RI industry initiatives: Responsible Investment Association of Australasia (RIAA) - LGS supports RIAA in its efforts to promote responsible investment practices and often provides speakers for RIAA's conferences and events.
- Global Real Estate Sustainability Benchmark - LGS participates in this initiative which aims to develop benchmarks for sustainability amongst property landlords. LGS also participates in the annual GRESB survey and our property portfolio has received the highest "Green Star" category.
- Interfaith Center on Corporate Responsibility (ICCR) - In June 2013 LGS was the first Australian super fund to sign the Investor Statement on Bangladesh and join a coalition of international investors being co-ordinated by the ICCR engaging with large Australian and international companies to sign the Bangladesh Accord on Fire and Safety. This follows a spate of fires and building collapses in Bangladesh killing thousands of local garment workers.
-

3. LGS Direct Engagement:

LGS undertakes limited engagement directly with companies on our own behalf. These engagements tend to be in response to emerging issues directed at specific companies (as opposed to proactive and systematic engagement projects across broad sectors or themes which are undertaken by industry groups such as ACSI and Regnan) where we see shareholder value at risk or poor governance and oversight practices. Typically LGS will initially write to the Chair of the company involved outlining our concerns. The engagement process may then involve further written correspondence or face-to-face meetings. Examples of the topics in which LGS has entered into direct engagement: in 2014 we engaged directly with an ASX listed mining company on climate risk management and a major ASX listed bank about sugar cane plantations in Cambodia that were associated with child labour, military-backed land grabs, forced evictions and food shortages and in previous years we have engaged with a retailer on its association in the Bangladeshi garment industry; a bank on its lending practices in emerging markets; several companies on their approach to lobbying against the introduction of carbon pricing legislation in Australia. LGS employs external fund managers who have direct

contact with company executives and Chairs. LGS does also ask our managers to discuss with these companies regarding our concerns.

LEA 02	Mandatory	Gateway	PRI 1,2,3
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LEA 02.1	Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.
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Type of engagement	Reason for interaction
Individual/Internal staff engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input checked="" type="checkbox"/> Other, specify Raise awareness of ESG and sustainability as investment risk and opportunities <input type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via service providers

LEA 02.2	Additional information. [Optional]
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ACSI's member funds are united by the beliefs that:

- The short-term outlook of many actors in the investment system means that today's market prices may not capture all of the risks and opportunities inherent in the value of companies.
- Responsible exercise of ownership rights by long-term asset owners can assist in improving that value and consequent investment return outcomes for their members.
- The financial system is not always set up in the best long term interests of beneficiaries.

ACSI's mission is, therefore, to enhance sustainable long term value for the retirement savings that are entrusted to our Members as fiduciary institutional investors. ACSI achieves this by representing the collective rights and interests of Members through influencing companies, investors, government and opinion leaders.

Process

Process for engagements run internally

LEA 03	Mandatory	Core Assessed	PRI 2
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LEA 03.1 Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

☒ Yes

LEA 03.2 Describe how you identify and prioritise engagements.

LGS' approach to our internal direct engagement is largely to respond to company specific events and issues that have been highlighted in the media or other sources. LGS does not conduct a great deal of internal direct engagement with companies. LGS' reactive approach to engagement is due to our involvement with ACSI and Regnan who conduct more proactive and thematic engagement with ASX200 boards on LGS' behalf as well as our discussions with our fund managers on ESG issues in their selected investee companies. As such LGS' engagement work aims to complement the work of ACSI and Regnan. We also find that the other benefits to this approach are that LGS can act more quickly on our own (than in a group) and that we are able to target issues of specific interest to LGS and our members. The process for identifying issues is quite flexible. LGS' internal sustainability and investment staff collate significant amounts of research on ESG issues from a very wide array of sources including broker reports, media stories and increasingly from NGOs. Other members of LGS, including the executive and the especially the Board, can and do also flag issues. LGS will then check with ACSI and Regan on their understanding of the issue and whether there is any research at hand. LGS will then conduct further research before writing to the company involved - typically to the Chair - to commence the dialogue and engagement process. LGS may decide to engage on any ESG issue and climate change has been the most common area - which is in line with our assessment that climate change as the most significant ESG risk. The issues chosen tend to be more 'E' and 'S' focussed as opposed to traditional corporate governance concerns which as are typically addressed by ACSI and Regnan. The E & S flavour to LGS' engagement also underpins our desire for more E & S discussions at the Board level of companies, rather than just G engagements (e.g. independence of board, remuneration etc.) which we feel dialogue is quite advanced. LGS' engagement assignments do have shareholder value risk to determine its prioritisation, however LGS adopts a broader and longer term definition of financial materiality. For example LGS entered dialogue with an ASX listed mining company about climate change awareness and risk management in addition to a major Australian bank in regards to its lending to controversial sugar cane plantations in Cambodia. From a short term financial perspective this was not financially material for the company and indeed the changes sought would probably increase their costs and reduces profits marginally. However LGS saw protection of long term shareholder value as more important and we believed that it should be brought to the attention of the Board.

☐ No

LEA 04	Mandatory	Core Assessed	PRI 2
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LEA 04.1 Indicate if you define specific objectives for your engagement activities.

☒ Yes

- ☒ Yes, for all engagement activities
- ☐ Yes, for the majority of engagement activities
- ☐ Yes, for a minority of engagement activities

☐ No

LEA 04.2

Indicate if you monitor the actions that companies take following your engagements.

☒ Yes☒ Yes, in all cases☐ Yes, in the majority of cases☐ Yes, in the minority of cases**LEA 04.3**

Describe how you monitor and evaluate the progress of your engagement activities.

LGS does not undertake a large amount of direct engagements with companies. Those that we do have specific objectives and questions raised at the commencement of the engagement. LGS does monitor the progress of each company that we have engaged with. This can be in ongoing formal correspondence or by just following the media on the company as part of our roles as an investor. LGS' does evaluate the progress of the company after the engagement. We do not have a formal scoring or assessment in place; rather we observe whether the issue on which we have engaged the company remains. The companies response in turn can determine LGS' voting at the company's AGM. Additionally if the company is exhibiting a high ESG risk profile with unacceptable management of those risks - the LGS SRI Policy permits for the company to be excluded from ongoing investment. However this last step would require our external ESG research provider(s) to also rate the company as high ESG risk.

In summary:

- Engagement objectives and goals are defined prior to engagement meetings.
- The objectives or goals are re-assessed after the engagement based on either an agreed timeline with the company (i.e. company provides a date for the release of new disclosure) or objectives are measured based on the following annual disclosure.
- Where no change occurs and the company does not provide a response, given that the identified ESG risk remains material, the engagement will be escalated.
- Company responses from engagement are considered in developing future engagement strategies and objectives. Given that many ESG issues are long-running and results are not instant, engagement is not considered successful until companies have made a material change on the relevant issue.

Re. ACSI - ACSI annually creates a list of engagement priority companies with specifically defined concerns and objectives for each company. Objectives are meaningful changes in company behavior. ACSI also sets objectives for the proportion of all priority companies where objectives are met (for example, ACSI may aim for over 50% of all priority companies' objectives to be met). Monitoring and evaluation is done through semiannual progress reports, itemized company by company and in aggregate, which are delivered to member funds. Inbound engagements with companies that are not on the priority list also involve specific objectives, though typically less material. Monitoring of these is done through annual evaluation by ACSI's Member Council, and a range of internal reports. The results of these engagement meetings are also included in ACSI's proxy voting reports and surveys involving all companies in ACSI's universe (called "longitudinal" research projects).

☐ No**Process for engagements conducted via collaborations****LEA 05****Mandatory****Core Assessed****PRI 2**

LEA 05.1

Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements.

☒ Yes

LEA 05.2

Describe how you identify and prioritise collaborative engagements.

As per our response to LEA01, LGS conducts most of our engagements via industry collaboration and also via our involvement with expert governance and engagement organisations ACSI and Regnan. LGS is very active in both areas - as per LEA01 response we have become a signatory to multiple collaborative engagements recent years; LGS staff member is also on the Boards of both ACSI and Regnan. In regards prioritisation of collaborative engagements, LGS receives regular emails from industry groups such as the UNPRI, IGCC and RIAA. The LGS sustainability staff will then determine whether there are any new collaborative engagements of interest. This is usually determined by:

- Specific ESG areas of risk (e.g. LGS is involved in several collaborative engagements on climate change) or where; or
- Where we wish to gain more information of company performance (e.g. Roundtable for Sustainable Palm Oil; or
- We see beneficial outcomes from advocacy of government policy and/or company behaviour (e.g. LGS was involved in a PRI collaborative engagement on "ESG and executive remuneration" which resulted in a paper being released in 2012 as well as the "Private equity disclosure" working group which released a report in 2013) or where
- We see that the engagement might introduce better practice in the industry without impairing current profitability (e.g. LGS was a signatory to the Access to Nutrition index and joined the Investor Initiative of Bangladesh garment industry). The decision whether to join a collaborative engagement rests with the LGS CEO following recommendation from the LGS Head of Sustainability. The LGS Investment Committee is advised of any new group that LGS joins.

☐ No

LEA 06**Mandatory****Core Assessed****PRI 2****LEA 06.1**

Indicate if the collaborative engagements in which you are involved have defined objectives.

☒ Yes

- ☒ Yes, for all collaborative engagement activities
- ☐ Yes, for the majority of collaborative engagement activities
- ☐ Yes, for a minority of collaborative engagement activities

☐ No

LEA 06.2

Indicate if you monitor the actions companies take following your collaborative engagements.

☒ Yes

- ☒ Yes, in all cases
- ☐ Yes, in the majority of cases
- ☐ Yes, in the minority of cases

LEA 06.3

Describe how you monitor and evaluate the progress of your collaborative engagement activities.

All of the collaborative engagements in which LGS has participated in, have defined objectives. Some of them are shorter engagements with more specific objectives. Others are longer, on more complex exploratory topics and the engagement's objective may be modest and less well defined at the outset.

☐ No

Process for engagements conducted with/on your behalf by service providers

LEA 07**Mandatory****Core Assessed****PRI 2,4****LEA 07.1**

Indicate if you play a role in the engagement process that your service provider conducts on your behalf.

☒ Yes

LEA 07.2

Indicate what role you play in engagements that your service provider conducts on your behalf.

- ☒ Specify the issues for the engagement
- ☐ Specify the objectives for the engagement
- ☐ Select the companies to be engaged with
- ☒ Participate directly in the engagements with your service provider
- ☒ Actively monitor and review the activities of the service provider
- ☐ Other, specify

☐ No

LEA 07.3

Additional information. [Optional]

In LEA 07.2, LGS ticked boxes for the combined efforts of the two service providers that we use for engagement ACSI and Regnan. For ACSI, its members are responsible for identifying issues for engagement, approving the objectives of engagement, monitoring the results and reviewing the strategy for engagement. Members also attend a number of engagements each year alongside ACSI staff. In many cases, several members collaboratively attend individual company meetings. Note that LGS is also a board member of ACSI and reviews its activities closely. Regnan uses its research to identify the themes for engagement as well as the companies that it recommends are engaged. On an annual basis Regnan will seek approval from its clients on these recommendations. Regnan provides a quarterly review of the outcomes and status of these engagement meetings. LGS also reviews Regnan's activities via our status as shareholder and Director.

LEA 08**Mandatory****Core Assessed****PRI 2,6****LEA 08.1**

Indicate whether you monitor and/or discuss the following information provided to you by your service provider

Please select all that apply

- ☒ The subject (or ESG issue(s)) of engagement
- ☒ The objectives of the engagement
- ☒ The rationale for engagement
- ☐ The frequency/intensity of interactions with companies
- ☒ Progress towards achieving engagement goals
- ☒ Outcomes that have been achieved from the engagement
- ☒ Next steps for engagement activity
- ☐ Other, specify
- ☐ None of the above

LEA 08.2 Additional information. [Optional]

In LEA 08.1, LGS ticked boxes for the combined efforts of the two service providers that we use for engagement ACSI and Regnan. LGS is deeply involved with both groups as a client and Director. Both groups provide reporting on their engagement activities - including themes, objectives, rationale, progress and outcomes and next steps. LGS Sustainability staff review these reports and contact the groups on an as needs be basis.

General processes for all three groups of engagers

LEA 09 Voluntary Additional Assessed PRI 1,2

LEA 09.1 Indicate if the insights gained from your engagements are shared with your internal or external investment managers as input for consideration in investment decisions.

Type of engagement	Insights shared
Individual/Internal staff engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
Collaborative engagements	<input type="radio"/> Yes, systematically <input checked="" type="radio"/> Yes, occasionally <input type="radio"/> No
Service provider engagements	<input type="radio"/> Yes, systematically <input checked="" type="radio"/> Yes, occasionally <input type="radio"/> No

LEA 09.2 Additional information.

LGS employs external fund managers. We meet these managers on a regular basis and ESG issues are included on the meeting agenda. This will include discussion of LGS' direct engagements with companies and there may be discussion on the work of ACSI and Regnan or other industry collaborative engagements.

LEA 10	Mandatory	Gateway/Core Assessed	PRI 2
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LEA 10.1	Indicate if you track the number of engagements your organisation participates in.
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Type of engagement	Tracking engagements
Individual / Internal staff engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements
Collaborative engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements
Service provider engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements

Outputs and outcomes

LEA 11	Mandatory to Report Voluntary to Disclose	Core Assessed	PRI 2
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LEA 11.1	Indicate the number of companies with which your organisation engaged during the reporting year.
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	Number of companies engaged (avoid double counting, see explanatory notes)
Individual / Internal staff engagements	2
Collaborative engagements	0
Service provider engagements	257

LEA 11.2	Indicate what percentage of your engagements were comprehensive during the reporting year. [Optional]
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Type of engagement	% Comprehensive engagements
Individual / Internal staff engagements	<input type="radio"/> > 50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None
Collaborative engagements	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None
Service provider engagements	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None

LEA 11.3

Indicate what percentage of your collaborative engagements you were a leading organisation on during the reporting year. [Optional]

Type of engagement	% Leading role
Collaborative engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> None

LEA 11.4

Indicate for which part of your service provider engagements you were highly involved during the reporting year. [Optional]

Type of engagement	% High involvement
Service provider engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> None

LEA 11.5	Additional information. [Optional]
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LEA 11.1 - In 2014 ACSI reported that it engaged with 212 companies whereas Regnan reported 45 (therefore 257 in total).

LEA 11.2 - Over 50% of ACSI's engagements and 33% of Regnan's engagements in 2014 were considered comprehensive under the PRI framework. LGS monitors the progress of the engagements however we are not highly involved as shown in LEA 11.3 and LEA 11.4.

LEA 11.3 - Often collaborative engagements are based offshore and cover international equities clients. It is not often practical for time zone and size of investment for LGS to take a lead role. We do find however that there is value provided by LGS' involvement as it demonstrates to the company that asset owners globally are interested in the issue. For LGS we still benefit from the investment insights revealed in the engagement.

LEA 12	Voluntary	Additional Assessed	PRI 2
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LEA 12.1	Indicate if your engagements in the reporting year covered E, S and/or G issues.
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Type of engagement	Coverage
Individual / Internal staff engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information
Collaborative engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information
Service provider engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information

LEA 12.2	Provide an estimated breakdown by E, S and/or G issues.
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	Individual / Internal staff engagements
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	% Environmental only
--	----------------------

25

	% Social only
--	---------------

25

	% Corporate Governance only
--	-----------------------------

10



40

100%



50



25



25

100%



1



2



7



90

100%

LEA 12.3	Additional information.
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LEA12.2 - This is a weighted average of the combined engagements of LGS' external service providers, ACSI and Regnan. Regnan reported the following break down:

- E only at 4%
- S only 13%
- G only 22%
- Overlapping ESG 60%

ACSI reported the following breakdown:

- Governance only 4%
- Overlapping ESG 96%

ACSI Comments that regarding LEA 12.2, note that ACSI's "Environmental only" and "Social only" outcomes are 0% and Corporate Governance only is 4%. This is because ACSI's engagement in this period typically included Environmental and Social issues together, including a project where each ASX200 company was contacted. The following shows the percentage of engagements that included an E, S and/or G issues respectively: 94%, 96%, 65%.

LEA 13	Voluntary	Descriptive	PRI 2
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LEA 13.1	Indicate whether you have a reliable estimate of the number of cases during the reporting year where a company has changed its practices, or made a commitment to do so, following your organisation's and/or your service provider's engagement activities.
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☒ Yes

LEA 13.2	Indicate the number of companies that changed or committed to change in the reporting year following your organisation's and/or your service provider's engagement activities.
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	Number of company changes or commitments to change
Individual / Internal staff engagements	2
Collaborative engagements	
Service provider engagements	72

☐ No

LEA 13.3	Additional information.
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LEA13.2 - Re. collaborative engagements, it is still too early to demonstrate that the companies have changed. Re. service provider engagements, this is an estimate of the combined engagements of LGS' external service providers, ACSI and Regnan. Regnan reported that 22 companies changed or committed to change. ACSI stated that 50 of the companies it engaged with changed or committed to change.

Note: Regnan reviews progress periodically, with corporate disclosure being a key input. In Australia, the majority of stocks report to a 30 June year end. Data presented is companies evidence progress against engagement objectives drawing on corporate disclosure released during or relating to the years end 30 June 2014.

LEA 14	Voluntary	Descriptive	PRI 2
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LEA 14.1

Provide examples of the engagements that your organisation carried out during the reporting year.

☒ Add Example 1

Topic or ESG issue	Nomination of Ian Dunlop to the Board of BHP Billiton
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	LGS believes that the Boards of all mining companies need expertise and skills to ensure they are able to manage climate risks and opportunities.
Scope and Process	In 2013 LGS supported the nomination of climate change specialist Ian Dunlop to the Board of BHP Billiton. In 2014 LGS filed a second nomination for Ian Dunlop and advised the BHP Billiton company secretary of our intentions in an effort to increase awareness of LGS' approach and the importance of acting on climate change. Following the nomination, LGS met with BHP where LGS explained its rationale and BHP advised of the steps it had taken to integrate climate risk into their management approach. Since the campaign, BHP has continued to engage with LGS and the investor community about its approach to managing climate risk and increased levels of disclosure.
Outcomes	Since the campaign began, BHP Billiton have improved their climate risk disclosure and management practices to industry best practice.

☒ Add Example 2

Topic or ESG issue	Carbon Asset Risk
Conducted by	<input type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	An explanation of the company's position on key carbon risk management issues, including long term scenario planning, use of 'shadow' carbon pricing, government interactions and public policy and position on technological innovations or distributions.
Scope and Process	ACSI selected five large cap diversified mining companies and vertically integrated energy companies. Unlike other engagement topics, the purpose was to get an adequate explanation of the company's risk management process and not to seek a particular change in practice at this point.
Outcomes	At year end, ACSI had engaged to its satisfaction with 3 of the 5 companies. First discussions had been held with the other two companies and follow up meeting had been organized for the first half of 2015.

☒ Add Example 3

Topic or ESG issue	Labour and human rights
Conducted by	<input type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	Enhanced company disclosure of Labour and Human Rights policies, with a specific focus on consumer discretionary stocks.
Scope and Process	ACSI engaged with 6 companies identified via two commissioned research reports for high exposure to labour and human rights risks with relatively low disclosure of policy. Letters were written to companies, followed by further written correspondence and face to face meetings.
Outcomes	Five of the six companies improved their disclosures or practices, or have at least made commitments to do so. One company remains completely recalcitrant.

☒ Add Example 4

Topic or ESG issue	Corporate governance
Conducted by	<input type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	Improve specific company practices in governance of: (a) Executive remuneration (b) Directors and board composition (c) Capital raising practices.
Scope and Process	ACSI engaged with 20 priority companies on one or more of these governance issues, which were identified through past proxy voting research and recommendations. Typically, letters were written to the companies with the majority of these becoming catalysts for face to face engagement meeting with board members.
Outcomes	Around 80% of the specific issues identified were at least partly resolved during the year.

☒ Add Example 5

Topic or ESG issue	Ethics and balanced risk reward culture.
Conducted by	<input type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	Regnan first sought implementation of effective whistleblowing policies and procedures in 2011 due to concerns about the financial institutions risk-return culture and was met with strong, initial resistance from the company.
Scope and Process	Regnan has pursued this change over multiple years to ensure its implementation, predominately through face to face meetings with board members.
Outcomes	A new 'Anti-Corruption and bribery' policy which includes the availability of an anonymous, externally-hosted staff whistleblowing hotline.

☐ Add Example 6

☐ Add Example 7

☐ Add Example 8

☐ Add Example 9

☐ Add Example 10

Communication

LEA 15

Mandatory

Core Assessed

PRI 2,6

LEA 15.1

Indicate whether your organisation proactively discloses information on its engagements.

- ☒ We disclose it publicly

provide URL

<http://www.lgsuper.com.au/investments/SRIpolicies.asp>

LEA 15.2

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- ☒ Yes

LEA 15.3

Indicate what engagement information your organisation proactively discloses to clients/beneficiaries and/or the public.

Engagement information disclosed

- ☐ Details of the selections, priorities and specific goals of engagement
- ☐ Number of engagements
- ☒ Breakdown of engagements by type/topic
- ☒ Breakdown of engagements by region
- ☒ An assessment of the current status of the engagement
- ☐ Outcomes that have been achieved from the engagement
- ☒ Other information

Case studies, high level descriptions of engagement issues and advocacy topics.

LEA 15.4

Indicate how frequently you typically report engagements information.

- ☐ Disclosed continuously (prior to and post engagements)
- ☐ Disclosed quarterly
- ☐ Disclosed annually
- ☒ Disclosed every two years or less
- ☐ Other, specify
- ☐ No
- ☐ We disclose it to clients and/or beneficiaries only
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries.

LEA 15.8	Additional information. [Optional]
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LGS puts on its website the public engagement reports produced by ACSI and Regnan. These contain less detailed information than what LGS receives in our private client reports, so as not to risk the long term success of often complex and drawn out discussions between companies and investors. These public reports overview the activities of the service providers during the course of the year.

(Proxy) voting and shareholder resolutions

Overview

LEA 16	Voluntary	Descriptive	PRI 2
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LEA 16.1	Provide a brief overview of your organisation's approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable).
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Local Government Super undertakes proxy voting at the shareholder meetings of all ASX company holdings.

LGS receives proxy voting advice from ACSI. This advice is based on a set of Governance Guidelines which were specifically created by ACSI members to represent their interests including LGS. ACSI's engagement work is the second key input into providing accurate relevant advice. As a broad rule LGS will vote in accordance with ACSI recommendations for ASX company annual meetings. However, from time to time we will consider voting against other ACSI recommendations when we believe there is a significant environmental, social or governance risk which has or could lead to a loss of shareholder value. Additionally if LGS is voting 'against' on a company's remuneration report (this is a mandatory annual resolution for ASX companies), LGS' voting policy is to automatically vote against the re-election of the Chairperson of Remuneration Committee of that company if that office holder is up for re-election in that year. For ASX companies, LGS undertakes the actual process of voting ourselves using the CGI Glass Lewis viewpoint voting platform.

Process

LEA 17	Mandatory	Descriptive	PRI 2
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LEA 17.1	Indicate how you typically make your (proxy) voting decisions and what this approach is based on.
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	Approach
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☐ We use our own research or voting team and make our own voting decisions without the use of service providers.

☒ We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.

	Based primarily on
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- ☐ the service provider voting policy signed off by us
- ☒ our own voting policy
- ☐ our clients requests or policy
- ☐ other, explain
- ☐ We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.
- ☐ We hire service provider(s) which make voting decisions on our behalf.

LEA 17.2	Additional information.[Optional]
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Refer LEA 16. LGS sources research and proxy voting recommendations from ACSI. ACSI's recommendations are based on its Corporate Governance Guidelines which outline superannuation funds' expectations in terms of corporate governance and alignment with shareholders. As a broad rule LGS will vote in accordance with ACSI recommendations for ASX company annual meetings. However, from time to time we will consider voting against other ACSI recommendations when we believe there is a significant environmental, social or governance risk which has or could lead to a loss of shareholder value.

LEA 19	Voluntary	Descriptive	PRI 2
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LEA 19.1	To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you did the following.
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- ☒ Obtain confirmation that votes have been received by the company:
 - ☐ for a majority of votes
 - ☒ for a minority of votes
- ☐ Participate in projects to improve the voting trail and/or to obtain vote confirmation
- ☐ None of the above

LEA 19.2	Provide additional information on your organisation's vote confirmation efforts.
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For ASX companies, LGS executes its own votes and receives confirmation of votes for all ASX companies in which we have holdings. We also generate quarterly reports that demonstrate our voting record. To assist with the integrity of the proxy voting process, LGS participated in an ACSI led initiative in 2013 which traced the actual proxy voting process and the variety of agents employed and technologies used. The aim of this initiative is to overcome shortcoming evident in the voting process.

LEA 20	Voluntary	Additional Assessed	PRI 2
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LEA 20.1	Indicate if your organisation has a securities lending programme.
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- ☒ Yes

LEA 20.2	Indicate how voting is addressed in securities lending programme.
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Please select one of the following

- ☐ We recall most securities for voting on all ballot items
- ☐ We recall some securities for voting on some ballot items on a systematic basis in line with specified criteria
- ☒ We occasionally recall some securities for voting on some ballot items on an ad-hoc basis
- ☐ We empower our securities lending agent to decide when to recall securities for voting purposes
- ☐ We do not recall our shares for voting purposes
- ☐ Other (please specify)
- ☐ No

LEA 20.3	Additional information. [Optional]
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LGS does have a securities lending programme which permits our holdings in ASX companies to be temporarily lent to 3rd parties in return for a fee that contributes to our members' retirement savings. LGS allows this securities lending to continue during the proxy voting 'season', whereupon we monitor which companies securities are being lent. Generally LGS will not ask for the lent securities to be recalled. There can be exceptions, for example, LGS will ask to recall lent securities for a company whose AGM has interesting resolutions where the result is not clear cut and LGS has strong opinions. However, if the company AGM has no contentious issues and the performance of the company has been satisfactory, then we will not recall any lent securities as the voting outcomes in these meetings are usually overwhelmingly (95%+) with management.

LEA 21	Mandatory	Core Assessed	PRI 2
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LEA 21.1	Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.
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- ☒ Yes, in most cases
- ☐ Sometimes, in the following cases:
- ☐ No
- ☐ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

LEA 21.2	Additional information. [Optional]
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For all companies covered by ACSI's voting service, ACSI corresponds either via meeting or teleconference around the time of the company meeting, or writes to each company where there was an 'against' recommendation expressing its rationale and concerns. Companies where there are more material concerns become Corporate Governance engagement priorities where ACSI typically holds face to face meetings with the company urging it to change its practices. ACSI does not vote on behalf of its members.

Outputs and outcomes

LEA 22	Mandatory	Core Assessed	PRI 2
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LEA 22.1	For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.
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- ☒ We do track or collect this information

	Votes cast (to the nearest 1%)
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	%
--	---

100

	Specify the basis on which this percentage is calculated
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- ☐ of the total number of ballot items on which you could have issued instructions
- ☒ of the total number of company meetings at which you could have voted
- ☐ of the total value of your listed equity holdings on which you could have voted
- ☐ We do not track or collect this information

LEA 22.3	Additional information. [Optional]
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LGS voted on 100% of our Australian listed equity holdings in 2014 (outside co-mingled trusts). For all our ASX holdings, LGS executes voting ourselves using ACSI Guidelines.

LEA 23	Voluntary	Descriptive	PRI 2
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LEA 23.1	Indicate if you track the voting instructions that you and/or your third party have issued on your behalf.
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- ☒ Yes, we track this information

LEA 23.2	Of the voting instructions that you and/or third parties have issued on your behalf, indicate the proportion of ballot items that were:
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Voting instructions	Breakdown as percentage of votes cast
For (supporting) management recommendations	<div> <div></div> <div>%</div> </div> <p>89</p>
Against (opposing) management recommendations	<div> <div></div> <div>%</div> </div> <p>11</p>
Abstentions	<div> <div></div> <div>%</div> </div> <p>0</p>

100%

LEA 23.3

For the reporting year, describe your approach towards voting on shareholder resolutions.

The figures above cover our entire Australian equities portfolio.

LGS executes the voting on all our Australian holdings directly. In 2014 LGS continued to follow our SRI and proxy voting policies. For Australian listed companies LGS sources research and proxy voting recommendations from ACSI. ACSI's recommendations are based on its Corporate Governance Guidelines which outline superannuation funds' expectations in terms of corporate governance and alignment with shareholders. Our external provider ACSI, provides an analysis of shareholder resolutions on a case-by-case basis in the Australian market. ACSI will generally favour those proposals that result in the disclosure of information that is useful to shareholders and not overly prejudicial to their commercial interests. Resolutions should be linked to improved governance or transparency within the relevant company. A judgment on each proposal will be based on what is in the best interest of shareholders, and a thorough assessment of any potential impacts on the company. As a broad rule LGS will always vote in accordance with ACSI recommendations for Australian company annual meetings. There are two departures from this, (both of which result in LGS having slightly more against votes):

1. If LGS is voting 'against' a company's remuneration report (this is a mandatory annual resolution for ASX companies), LGS' voting policy is to automatically vote against the re-election of the Chairperson of Remuneration Committee of that company if that office holder is up for re-election in that year.

2. Occasionally LGS will vote against the ACSI and/or the Board's recommendations when we believe the company has significant environmental, social or governance risk which has, or could lead to, a loss of shareholder value. In these cases LGS may vote against the re-election of a single or multiple directors or the entire set of resolutions at the AGM meeting. Any decision that LGS makes in this line requires an internal paper to be generated by the internal staff which is supported by the LGS Chief Investment Officer and Chief Executive Officer before requiring formal approval by the LGS board level Investment Committee. In 2014 LGS voted against recommendations for Commonwealth Bank of Australia and AGL on the grounds of LGS concerns that these companies and their boards are not fully addressing ESG risks that are or have the potential to create loss of shareholder value. On the reverse side, LGS voted for a shareholder resolution for BHP in an effort to increase awareness and engagement on climate risks.

☐ No, we do not track this information

LEA 24**Voluntary****Descriptive****PRI 2****LEA 24.1**

Indicate if your organisation directly or via a service provider filed or co-filed any shareholder resolutions during the reporting year.

☒ Yes

LEA 24.2

Indicate the number of ESG shareholder resolutions you filed or co-filed.

Total number

1

LEA 24.3

Indicate what percentage of these ESG shareholder resolutions.

Went to vote	<div><div></div>%</div> 100
Were withdrawn due to changes at the company and/or negotiations with the company	<div><div></div>%</div> 0
Were withdrawn for other reasons	<div><div></div>%</div> 0

	Total
--	-------

100%

	<20% approval
--	---------------

1

LEA 24.5	Describe the ESG shareholder resolutions that you filed or co-filed and the outcomes achieved.
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LGS filed a resolution for the election of a non-board endorsed candidate (Ian Dunlop) to the BHP Billiton board as we believe that the Boards of all mining companies need expertise and skills to ensure they are able to manage climate risks and opportunities. Ian Dunlop offered extensive climate change knowledge and experience as well as significant oil and gas experience, having held senior executive and board roles for organisations including Royal Dutch Shell Group and the Australian Coal Association. Since the campaign began in 2013, BHP Billiton have improved their climate risk disclosure and management practices to industry best practice.

☐ No

LEA 25	Voluntary	Descriptive	PRI 2
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LEA 25.1	Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.
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☒ Add Example 1

Topic or ESG issue	Nomination of climate change specialist, Ian Dunlop, to the board of BHP Billiton.
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Ensure that BHP Billitons board has climate change skills amongst its directors.
Scope and Process	In 2013 LGS supported the nomination of climate change specialist Ian Dunlop to the Board of BHP Billiton (BHP). Despite gaining support from major pension funds including CalSTERS, the nomination was defeated. In 2014 LGS filed a second nomination for Ian Dunlop and advised the BHP Billiton company secretary of our intentions in an effort to increase awareness of LGS' approach and the importance of acting on climate change. Following the nomination, LGS met with BHP where LGS explained its rationale and BHP advised of the steps it had taken to integrate climate risk into their management approach. Since the campaign, BHP has continued to engage with LGS and the investor community about its approach to managing climate risk and increased levels of disclosure.
Outcomes	The nomination was unanimously defeated, however since the campaign began, BHP Billiton have improved their climate risk disclosure and management practices to industry best practice.

☒ Add Example 2

Topic or ESG issue	Voted against the reelection of Directors and the remuneration report for AGL Energy (AGL).
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	LGS voted against director re-election to signal our dissatisfaction with the AGL Board's management of ESG risks, mainly associated with acquiring two major coal fired power plants as well as coal seam gas activities in northern NSW. We also voted against the remuneration report due to concerns that executive remuneration targets were not fully aligned with long term shareholders and that targets were not subject to asset write downs that AGL Energy has incurred over last two years.
Scope and Process	Occasionally LGS will vote against the ACSI and/or the Board's recommendations when we believe the companies has significant environmental, social or governance risk which has or could lead to a loss of shareholder value. In these cases LGS may vote against the re-election of a single or multiple directors or the entire set of resolutions at the AGM meeting. Any decision that decision that LGS makes in this line requires an internal paper to be generated by the internal staff which is supported by the LGS Chief Investment Officer and Chief Executive Officer before requiring formal approval by the LGS Board-level Investment Committee.
Outcomes	The two directors we voted against received a majority vote of 90% and 92% respectively for their re-election. Both Director re-election 'for' results are lower than the support received by other Directors in their re-election in 2013 as well as the usual 96%-98% approval rate that most ASX directors receive. The 2014 remuneration report 'for' vote received support from 75.8% of shareholders. This is significantly lower than in 2013 at 87% and extremely close to triggering a 'first strike' under the Corporations Act.

☒ Add Example 3

Topic or ESG issue	Voted against the reelection of Directors and the remuneration report for the Commonwealth Bank of Australia (CBA).
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	LGS voted against these resolutions to demonstrate our concern over issues with company culture and mis-selling practices within CBA's Financial Planning Division.
Scope and Process	Occasionally LGS will vote against the ACSI and/or the Board's recommendations when we believe the companies has significant environmental, social or governance risk which has or could lead to a loss of shareholder value. In these cases LGS may vote against the re-election of a single or multiple directors or the entire set of resolutions at the AGM meeting. Any decision that LGS makes in this line requires an internal paper to be generated by the internal staff which is supported by the LGS Chief Investment Officer and Chief Executive Officer before requiring formal approval by the LGS Board-level Investment Committee.
Outcomes	Mohl and Inman received a majority vote of 99% and 98% respectively for their re-election. The 2014 remuneration report 'for' vote received support from 96.5% of shareholders. This is slightly lower than in 2013 at 97.1% as a result of a small increase in 'against' votes ('abstain' votes were steady). Following extensive media coverage and criticism from the Australian Government, CBA is in the process of implementing a grievance mechanism to address these issues.

☒ Add Example 4

Topic or ESG issue	Remuneration
Decision made by	<input type="checkbox"/> Internal staff <input checked="" type="checkbox"/> Service provider
Objectives	Ensure alignment of executive and shareholder interests, and appropriate board oversight.
Scope and Process	ACSI provided our fund with voting advice on remuneration related resolutions at each ASX300 company. (At least one remuneration vote is held each by each company per year.) See below for information on the process.
Outcomes	Among the larger ASX200 companies, ACSI opposed 62 (around 17%) of all resolutions. In all cases, ACSI wrote to the companies explaining its rationale and often follow up meetings were held. Historically, around 75% of the most contentious issues are typically at least partly resolved.

☒ Add Example 5

Topic or ESG issue	Board composition and accountability
Decision made by	<input type="checkbox"/> Internal staff <input checked="" type="checkbox"/> Service provider
Objectives	There are two objectives: (1) Ensure appropriate board composition, including a majority of independent directors. (2) Ensure board accountability to shareholders for past decisions.
Scope and Process	ACSI provided voting advice for 522 resolutions related to boards in the ASX200 (as well as around 50% more such resolutions for the next 100 largest companies). See below for information on the process.
Outcomes	Among the ASX200, ACSI opposed 52 (around 6%) of resolutions. In all cases, ACSI wrote to the companies explaining its rationale and often follow up meetings were held. Historically, around 25% of the most contentious issues are typically at least partly resolved.

- ☐ Add Example 6
- ☐ Add Example 7
- ☐ Add Example 8
- ☐ Add Example 9
- ☐ Add Example 10

LEA 25.2 Additional information.

LGS is a Foundation Member and client of the Australian Council of Superannuation Investors (ACSI), an external expert group who provide voting recommendations in respect to company resolutions. ACSI has developed Corporate Governance Guidelines which have been prepared to be used by both companies and superannuation funds. They are designed as a reference for chairpersons, directors and senior executives of listed companies on the contemporary governance expectations of superannuation fund investors. The Guidelines reinforce the accountability of boards and management teams to shareholders. The Guidelines are also a tool for superannuation funds to help manage their investments in Australian listed companies. These Guidelines provide a framework by which superannuation funds can assess the ESG practices of investee companies, particularly when exercising their voting rights. LGS is active in the review of these Guidelines which occurs biennially. As a broad rule LGS will vote in accordance with ACSI recommendations for ASX200 company annual meetings. ACSI makes all proxy voting recommendations in accordance with the Governance Guidelines which are created and ratified by its member funds, including LGS. The guidelines are available on the ACSI website: <http://acsi.org.au/acsi-guidelines23/acsi-governance-guidelines.html>

Communication

LEA 26	Mandatory	Core Assessed	PRI 2,6
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LEA 26.1 | Indicate if your organisation proactively discloses information on your voting activities.

- ☒ We disclose it publicly

provide URL

<http://www.lgsuper.com.au/investments/SRIpolicies.asp>

LEA 26.2 | Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- ☒ Yes

LEA 26.3 | Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.

Indicate how much of your voting record you disclose

- ☒ All voting decisions
☐ Some voting decisions
☐ Only abstentions and opposing vote decisions
☐ Summary of votes only

Indicate what level of explanation you provide

- ☐ Explain all voting decisions
☐ Explain some voting decisions
☒ Only explain abstentions and votes against management
☐ No explanations provided

LEA 26.4 | Indicate how frequently you typically report voting information.

- ☒ Continuously (primarily before meetings)
☐ Continuously (soon after votes are cast)
☐ Quarterly or more frequently
☐ Between quarterly and annually
☐ Less frequently than annually
☐ Other, specify
☐ No
- ☐ We disclose it to clients/beneficiaries only
- ☐ We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

LGS discloses all of our proxy voting decisions before company meetings on our website at <http://www.lgsuper.com.au/investments/SRlpolicies.asp>. This page provides an overview of our approach to proxy voting as well as commentary for our 'against' votes.

Local Government Superannuation Scheme

Reported Information

Public version

Direct - Property

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

PR 01

Mandatory to Report Voluntary to Disclose

Gateway/Peering

General

PR 01.1

Provide a breakdown of your organisation's internally managed property investments by equity and debt.

Property investments instruments

☒ Equity investments

Property investment instruments	Percentage of your internally managed property investments (in terms of AUM)
Equity investments	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10%

PR 01.2

Indicate the level of ownership you typically hold in your property investments.

- ☒ a majority stake (>50%)
☐ a 50% stake
☐ a significant minority stake (between 10-50%)
☐ a limited minority stake (<10%)
☐ a mix of ownership stakes

☐ Debt investments

Total 100%

☐ N/A, we manage properties, new constructions and/or refurbishments on behalf of our clients, but do not hold equity or debt in property on their behalf

PR 02

Mandatory to Report Voluntary to Disclose

Gateway/Peering

General

PR 02.1

Provide a breakdown of your organisation's property assets based on who manages the assets.

Property assets managed by	Breakdown of your property assets (by number)
Managed directly by your organisation	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Managed via third-party property managers appointed by you	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Managed by other investors or their property managers	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Managed by tenant(s) with operational control	<input type="radio"/> > 50% <input type="radio"/> 10-50% <input type="radio"/> < 10% <input checked="" type="radio"/> 0%
Total	100%

PR 03	Voluntary	Descriptive	General
PR 03.1	Indicate up to three of your largest property types by AUM.		

Types	Main property types (by AUM)
Largest property type	<input type="radio"/> Industrial <input type="radio"/> Retail <input checked="" type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
Second largest property type	<input type="radio"/> Industrial <input checked="" type="radio"/> Retail <input type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
Third largest property type	<input checked="" type="radio"/> Industrial <input type="radio"/> Retail <input type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify

PR 04	Voluntary	Descriptive	PRI 1-6
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PR 04.1	Provide a brief overview of your organisation's approach to responsible investment in property where you have equity stakes.
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The Trustee of LGS is committed to ensure that sustainable, responsible and effective environmental management practices are in place to minimise the impact of building operations on the environment and to play a leadership role in the industry. The management of Local Government Property Fund (LGPF) has a responsibility to investors, tenants, employees and the community to sustain the environment during the management and ownership of the property portfolio. The Environmental Sustainability Policy for Direct Property and guidelines have been developed taking into account the requirements and policies of:

- LGS Policies regarding sustainability, responsible investing and risk management.
- Green Building Council of Australia
- Sydney Water
- Office of Environment and Heritage - NSW
- NSW Government and Federal Government policies on leasing accommodation
- CitySwitch Partnership
- National Australian Built Environment Rating System (NABERS)

PR 05	Mandatory	Core Assessed	PRI 1-6
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PR 05.1	Indicate if your organisation has a Responsible Property Investment (RPI) policy.
----------------	---

☒ Yes

PR 05.2	Provide a URL if your RPI policy is publicly available. [Optional]
----------------	--

<http://www.lgsuper.com.au/investments/SRlpolicies.asp>

☐ No

Pre-investment (selection)

PR 08	Mandatory	Gateway	PRI 1
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PR 08.1	Indicate if your organisation typically incorporates ESG issues when selecting property investments.
----------------	--

☒ Yes

PR 08.2	Provide a description of your organisation's approach to incorporating ESG issues in property investment selection. [Optional]
----------------	--

Local Government Super (LGS) views properties with lower ESG standards when selecting property investments, as this gives LGS an opportunity to add value by improving the assets efficiency and capital return.

☐ No

PR 09	Voluntary	Descriptive	PRI 1,4
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PR 09.1	Indicate whether your organisation typically uses ESG advice and research sourced internally and/or externally when incorporating ESG issues into the property investment selection process.
----------------	--

☒ Internal staff

☒ Specify role

Head of Sustainability

☒ Specify role

Property Portfolio Manager

☒ Specify role

Chief Investment Officer & Board

- ☒ External resources
 - ☒ Environmental advisors
 - ☒ Social advisors
 - ☒ Corporate governance advisors
 - ☒ Regulatory and/or legal advisors
 - ☐ Other, specify type of advisors/roles
- ☐ No use of internal or external advice on ESG issues

PR 09.2	Additional information.
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Not applicable - LGS has not recently been acquiring investment properties. If we were to acquire any new properties, ESG due diligence would be required. This would likely require some report on the property's ESG performance to be provided by the vendor which would then be reviewed by external resources and supplemented by internal ESG questions as part of formal due diligence.

PR 10	Mandatory	Core Assessed	PRI 1,3
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PR 10.1	Indicate which E, S and/or G issues are typically considered by your organisation in the property investment selection process and list up to three examples per issue.
---------	---

ESG issues

- ☒ Environmental

	List up to three typical examples of environmental issues
--	---

Carbon footprint

Materials used in construction and resource use

Water and energy consumption

- ☒ Social

	List up to three typical examples of social issues
--	--

Tenant behaviour regarding resource efficiency

Appropriate facilities for tenants (including end of trip facilities)

Previous stakeholder engagement programs and continued social licence to operate.

- ☒ Governance

	List up to three typical examples of governance issues
--	--

Appropriate metering in place to allow for performance monitoring and management

Performance against industry benchmarks and changes over time.

Previous resources allocated to managing E & S issues.

PR 11	Voluntary	Additional Assessed	PRI 1,3
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PR 11.1	Indicate what type of ESG information your organisation typically considers during your property investment selection process.
----------------	--

- ☒ Raw data from the target property asset/company
- ☒ Appraisals/audits
- ☒ Benchmarks/ratings against similar property asset
- ☒ Country level data/benchmarks
- ☒ Data aligned with established property reporting standards, industry codes and certifications
- ☒ International initiatives, declarations or standards
- ☒ Data from engagements with stakeholders (e.g. tenants and local community surveys)
- ☒ Information from external advisers
- ☐ Other, specify
- ☐ We do not track this information

PR 12	Voluntary	Additional Assessed	PRI 1
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PR 12.1	Indicate if ESG issues impacted your property investment selection process during the reporting year.
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- ☒ ESG issues helped identify risks and/or opportunities for value creation
- ☐ ESG issues led to the abandonment of potential investments
- ☒ ESG issues impacted the investment in terms of price offered and/or paid
- ☐ ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ☐ ESG issues were considered but did not have an impact on the investment selection process
- ☐ Other, specify
- ☐ We do not track this potential impact

Selection, appointment and monitoring third-party property managers

PR 13	Mandatory	Core Assessed	PRI 4
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PR 13.1	Indicate if your organisation includes ESG issues in your selection, appointment and/or monitoring of third-party property managers.
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- ☒ Yes

PR 13.2

Indicate how your organisation includes ESG issues in your selection, appointment and/or monitoring of third party property managers.

- ☒ Selection process of property managers incorporated ESG issues
 - ☒ For all third party property managers
 - ☐ For a majority of property managers
 - ☐ For a minority of property managers
- ☒ Contractual requirements when appointing property managers includes ESG issues
 - ☒ For all third party property managers
 - ☐ For a majority of property managers
 - ☐ For a minority of property managers
- ☒ Monitoring of property managers covers ESG responsibilities and implementation
 - ☒ For all third party property managers
 - ☐ For a majority of property managers
 - ☐ For a minority of property managers

PR 13.3

Provide a brief description of your organisation's selection, appointment and monitoring of third party property managers. [Optional]

We engage external consultants to run a tender process on our behalf for the selection and appointment of our property managers. We make the final decision based on a number of criteria, of which ESG components are top priority.

- Once appointed, we regularly meet with our property managers to discuss all issues relating to the management of our portfolio.
- All issues are tabled at the meeting and noted in the minutes and then brought forward on the agenda for the next meeting. The issues remain tabled until solved.

PR 13.4

Describe how your third party property managers contribute to the management of ESG issues for your property investments. [Optional]

Our property managers take the following approach:

- Educate and moderate tenant behaviours
- Contractor awareness and consistency in contractual KPIs
- Industry presence to leverage new technologies
- Tools and systems to monitor daily performance and data integrity

The principle areas of our property managers' sustainability procedures focus on:

- Water conservation
- Energy management
- Waste/landfill reduction and recycling
- Indoor air quality
- Operational efficiencies
- WHS and liability management
- Environmental risk management

☐ No

Post-investment (monitoring and active ownership)

Overview

PR 14	Mandatory	Gateway	PRI 2
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PR 14.1	Indicate if your organisation, and/or property managers, considers ESG issues in post-investment activities relating to your property assets.
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☒ Yes

PR 14.2	Indicate whether your organisation, and/or property managers, considers ESG issues in the following post-investment activities relating to your property assets.
---------	--

- ☒ We consider ESG issues in property monitoring and management
- ☒ We consider ESG issues in property developments and refurbishments
- ☒ We consider ESG issues in property occupier engagements
- ☒ We consider ESG issues in community engagements related to our properties
- ☐ We consider ESG issues in other post-investment activities, specify

PR 14.3	Describe how your organisation, and/or property managers, considers ESG issues in post-investment activities related to your property assets. [Optional]
---------	--

Our property managers and Local Government Super work very closely together to manage all possible ESG issues confronting our property portfolio. We meet regularly with each other so that all issues are addressed and closely monitored.

Some of the ESG issues we both manage within our portfolio are:

- Environmental risk management including climate change
- Transparency and reporting
- Carbon footprint reduction
- Waste reduction and recycling
- Water conservation
- Energy management
- Indoor environment quality
- Materials and resources
- OH&S and liability management

☐ No

Property monitoring and management

PR 15	Mandatory	Core Assessed	PRI 2,3
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PR 15.1	Indicate the proportion of property assets for which your organisation, and/or property managers, set and monitored ESG targets (KPIs or similar) during the reporting year.
----------------	--

- ☒ >90% of property assets
- ☐ 51-90% of property assets
- ☐ 10-50% of property assets
- ☐ <10% of property assets

(in terms of number of property assets)

PR 15.2	Indicate ESG issues for which your organisation, and/or property managers, typically sets and monitors targets (KPIs or similar) and provide examples per issue.
----------------	--

ESG issues

- ☒ Environmental

	List up to three example targets per issue
--	--

100% GreenPower (renewable electricity) purchased by all tenants
 Achieve 6 star NABERS Energy rating for the whole portfolio
 Decrease waste to landfill and increase recycling

- ☒ Social

	List up to three example targets per issue
--	--

Increase tenant engagement on sustainability
 Provide healthy workplace environment for all tenants (through monitoring the indoor environment air quality)
 Provide end of trip facilities for all buildings to enable people to utilise active methods of transport/recreation

- ☒ Governance

	List up to three example targets per issue
--	--

Property managers to report monthly on ESG issues
 Property managers to work with LGS to satisfy board accountability across ESG issues
 LGS to report on sustainability to the Board on a quarterly basis and to update website as appropriate

- ☐ We do not set and/or monitor against targets

PR 16	Voluntary	Descriptive	PRI 2
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PR 16.1	Indicate whether your property assets are assessed against certification schemes, ratings and/or benchmarks
----------------	---

- ☒ Yes

PR 16.2

List the certification schemes, ratings and/or benchmarks your property assets are assessed against and what proportion of your property assets they apply to.

☒ Add certification scheme, rating and benchmark 1

Specify	NABERS
Proportion of property assets these apply to	<p> <input type="radio"/> >90% of property assets <input checked="" type="radio"/> 51-90% of property assets <input type="radio"/> 10-50% of property assets <input type="radio"/> <10% of property assets </p> <p>(in terms of number of property assets)</p>

☒ Add certification scheme, rating and benchmark 2

Specify	GRESB
Proportion of property assets these apply to	<p> <input checked="" type="radio"/> >90% of property assets <input type="radio"/> 51-90% of property assets <input type="radio"/> 10-50% of property assets <input type="radio"/> <10% of property assets </p> <p>(in terms of number of property assets)</p>

☐ Add certification scheme, rating and benchmark 3

☐ No

PR 16.3

Additional information.

Local Government Super has 9 properties in its portfolio. Seven of the nine properties are rated by NABERS (the current average portfolio rating is 4.5 stars without GreenPower and 6 stars with GreenPower). The remaining two properties are currently unable to be rated.

In addition to NABERS, we also participate in the GRESB survey to benchmark the performance of our buildings.

Property developments and refurbishments

PR 17

Mandatory

Core Assessed

PRI 2

PR 17.1	Indicate the proportion of active property developments and refurbishments where ESG issues have been considered.
----------------	---

- ☒ >90% of active developments and refurbishments
- ☐ 51-90% of active developments and refurbishments
- ☐ 10-50% of active developments and refurbishments
- ☐ <10% of active developments and refurbishments
- ☐ N/A, no developments and refurbishments of property assets are active

(by number of active property developments and refurbishments)

PR 17.2	Indicate if the following ESG considerations are typically implemented and monitored in your property developments and refurbishments.
----------------	--

- ☒ Minimum environmental site selection requirements
- ☒ Minimum environmental site development requirements
- ☒ Sustainable construction materials
- ☒ Minimum water efficiency requirements
- ☒ Minimum energy efficiency requirements
- ☒ Energy generation from on-site renewable sources
- ☒ Waste management plans at sites
- ☒ Health and safety management systems at sites
- ☒ Construction contractors comply with sustainability guidelines
- ☐ Other, specify

Occupier engagement

PR 18	Mandatory	Core Assessed	PRI 2
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PR 18.1	Indicate the proportion of property occupiers your organisation, and/or your property managers, engaged with on ESG issues during the reporting year.
----------------	---

- ☒ >90% of occupiers
- ☐ 51-90% of occupiers
- ☐ 10-50% of occupiers
- ☐ <10% of occupiers

(in terms of number of occupiers)

PR 18.2	Indicate if the following practises and areas are typically part of your, and/or your property managers', occupier engagements.
----------------	---

- ☒ Distribute a sustainability guide to occupiers
- ☐ Organise occupier events focused on increasing sustainability awareness
- ☐ Deliver training on energy and water efficiency
- ☐ Deliver training on waste minimisation
- ☒ Provide feedback on energy and water consumption and/or waste generation
- ☐ Provide feedback on waste generation
- ☒ Carry out occupier satisfaction surveys
- ☐ Other, specify

Community engagement

PR 20	Voluntary	Additional Assessed	PRI 2
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PR 20.1	Indicate in respect of what proportion of property assets your organisation, and/or your property managers, engaged with the community on ESG issues during the reporting year.
----------------	---

- ☒ >90% of property assets
- ☐ 51-90% of property assets
- ☐ 10-50% of property assets
- ☐ <10% of property assets

(in terms of number of property assets)

PR 20.2	Indicate if the following areas and activities are typically part of your, and/or your property managers', community engagement.
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- ☐ ESG education programmes for the community
- ☐ ESG enhancement programmes for public spaces
- ☒ Research and networking activities focusing on ESG issues
- ☒ Employment creation in communities
- ☒ Supporting charities and community groups
- ☐ Other, specify

Outputs and outcomes

PR 21	Voluntary	Additional Assessed	PRI 1,2
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PR 21.1	Indicate if your organisation measures whether your approach to ESG issues in property investments has affected financial and/or ESG performance.
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- ☒ We measure whether our approach to ESG issues impacts funds' financial performance

Describe the impact on:	Impact
Funds' financial performance	<input checked="" type="radio"/> Positive <input type="radio"/> Negative <input type="radio"/> No impact

☒ We measure whether our approach to ESG issues impacts funds' ESG performance

Describe the impact on:	Impact
Funds' ESG performance	<input checked="" type="radio"/> Positive <input type="radio"/> Negative <input type="radio"/> No impact

☐ None of the above

PR 21.2	Describe how you are able to determine these outcomes.
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We internally track our carbon footprint, energy and water usage and waste and recycling rates for each property and we are constantly looking at ways we can improve in these areas. We reduced our energy and water usage across the portfolio quite considerably and this impacts on the operational costs of running a property portfolio. Other things such as risk management is measured and reported on constantly. Due to our risk management practices over time, we have significantly reduced our insurance premiums, thus a large saving was achieved in this area in the past 12 months.

PR 22	Voluntary	Descriptive	PRI 1,3
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PR 22.1	Provide examples of ESG issues that affected your property investments during the reporting year.
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☒ Add Example 1

ESG issue	Functional trigeneration system
Types of properties affected	Commercial
Impact (or potential impact) on investment	Capital expenditure has increased in an effort to address network connection issues with a trigeneration system in one of our commercial buildings. The potential outcome is a 6 star NABERS Energy rated property. This achievement will not only provide a well sought after asset with a potentially higher valuation, but a very desirable building to lease as tenants today highly regard a highly sustainable workplace.
Activities undertaken to influence the investment and the outcomes	Regular coordinated meetings with the Senior Facilities Manager and all contractors involved in the trigen project. We receive a monthly sustainability report on the status of the project. Every effort is in play in order to achieve our goal.

☒ Add Example 2

ESG issue	Removal of EPS
Types of properties affected	Retail
Impact (or potential impact) on investment	Greatly reduces the fire risk to the shopping centre. This lower risks means we can enjoy lower insurance premiums, which equates to higher profit return for the investment.
Activities undertaken to influence the investment and the outcomes	<p>EPS has been removed from 66% of tenancies in one of our retail centres to date. A 10 year plan for the removal is in place and the removal is carried out as tenancies expire and become vacant allowing access. This process is monitored and reported to our insurers, who then factor in the amount of activity on this, which has so far contributed towards a 30% reduction in the fire safety levy for insurance in the past 12 months.</p> <p>This also provides a much safer work environment for our tenants, centre management staff and the wider community who shop at the premises.</p>

☒ Add Example 3

ESG issue	Removal of asbestos
Types of properties affected	Commercial
Impact (or potential impact) on investment	The removal of asbestos from one of our commercial buildings had a short term impact on CAPEX in 2014 but did not impact leasing capability as it was integrated into the refurbishment process.
Activities undertaken to influence the investment and the outcomes	A range of asbestos professionals including environmental consultants and accredited removalists were employed to undertake the removal and onsite air monitoring in accordance with relevant standards and codes. Clearance certificate due in 2015.

☐ Add Example 4

☐ Add Example 5

Communication

PR 23	Mandatory	Core Assessed	PRI 6
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PR 23.1 Indicate if your organisation proactively discloses ESG information on your property investments.

☒ Disclose publicly

provide URL

<http://www.lgsuper.com.au/investments/NABERS.asp>

provide URL

<http://www.lgsuper.com.au/investments/propertyGraphs.asp>

PR 23.2 Indicate if your organisation uses property specific reporting standards to disclose information related to your property investments' ESG performance.

☐ Global Reporting Initiative (GRI) Construction & Real Estate Sector Supplement (CRESS)

☐ Other property reporting standards, specify

☒ No property specific reporting standards are used

PR 23.3 Indicate if the level of ESG information you provide to the public is the same as the level you provide to your clients/beneficiaries.

☒ Yes

PR 23.4

Indicate the type of ESG information that your organisation proactively discloses to the public and/or your clients/beneficiaries.

- ☐ ESG information on how you select property investments
- ☒ ESG information on how you monitor and manage property investments
- ☒ Information on your property investments' ESG performance
- ☐ Other, specify

PR 23.5

Indicate your organisation's typical frequency of disclosing ESG information to the public and/or your clients/beneficiaries.

- ☒ Quarterly or more frequently
- ☐ Semi annually
- ☐ Annually
- ☐ Every two years or less frequently
- ☐ Ad-hoc, specify

PR 23.6

Describe the ESG information and how your organisation proactively discloses it to the public and/or clients/beneficiaries. [Optional]

We disclose the following information on our website:

- Portfolio total emission savings
- Current NABERS ratings
- Energy& Water consumption

- ☐ No
- ☐ Disclose to clients/beneficiaries only
- ☐ No proactive disclosure to the public or to clients/beneficiaries